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West Europe Report

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18 May 1984

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PEACE MOVEMENT SPOKESMAN URGES 'ALTERNATIVE DEFENSE MODELS'

Copenhagen INFORMATION in Danish 2 Apr 84 p 4

[Op Ed Article by Flemming Sorensen, spokesman of 'Denmark for Peace']

[Text] The solution is neither the beaten track nor a hope for disarmament but independent Danish rearmament.

All Danish peace movements reject nuclear weapons, and the broadest one among them is simply called 'No to Nuclear Weapons.' But is that enough?

Hardly. For even if we here in Denmark have reached the stage where it is the peace movement which dictates to the sitting government what it is to say at the NATO headquarters. Where we have got the reputation of having become a footnote country--for, in actual fact, that is all that we have achieved, having a footnote added to the decisions of NATO that Denmark does not fully agree.

Our four-star defense chief, General Knud Jorgensen, says frankly that for those meetings he brings a pair of shoes one size too large in order to have space to curl his toes. This is honest talk, which shows that the government and the defense command do not have the least respect for what the majority of the Folketing thinks about Denmark's position on NATO's nuclear armament.

What are we then to do about it?

Next fall, the Folketing will be adopting a new defense agreement. The present agreement was adopted on 12 August 1981 after 18 months of difficult negotiations, which were mainly concerned with the cost of the entire affair. Instead of the current three-year agreement, which is now expiring, Defense Minister Hans Engell is now endeavoring to obtain a political agreement on a four-year agreement for Denmark's defense.

The appearance of that defense agreement is not at all immaterial to the peace movement, and the cost of it is of rather secondary importance.

For the framework agreement which will now be adopted will, to a large extent, decide what our defense will look like for the next 20 years. For such a long phasing period--or period of adjustment--will be needed in order for drastic changes in our defense and thus also in our defense policy to take place.

And a radical change will be needed in order for the Danish defense to get out of the situation that it is merely the tail of the big U.S. dog and thus of the U.S. nuclear arms strategy, which, of late, seems to be going much farther--and to be racing more wildly--than the official NATO strategy.

Three alternatives may be set up for the new Danish defense agreement:

1. We continue along the beaten track (linearly).
2. We hope that the disarmament talks will lead to a result.
3. We undertake an independent Danish 're-armament.'

The first alternative is the one that is most convenient for the four present government parties and the Social Democratic Party, which are behind the old defense agreement, for, in that case, they need only discuss certain amounts of money and not any difficult principles.

Defense Chief Knud Jorgensen thinks along these traditional lines. Without airing all of the wishes presented by the defense command to the 11-member committee of the above parties, which will be presenting a proposal for the new defense agreement, Knud Jorgensen mentions the demand on the part of the Navy Department for replacement of our five obsolete Delphine submarines and the desire on the part of the Armed Forces to call up more recruits and to have more armed personnel carriers as well as Air Force missiles.

However, the defense chief, at the same time, recognizes frankly that if we continue along the same linear lines--without any major grants for new acquisitions, which are not possible politically--there will be no defense system in Denmark in 12 years, because nearly all of the money will be spent on maintenance of existing weapons systems.

The peace movement has one important reason for not accepting a blind continuation of the present defense agreement: It ties Denmark to the U.S. strategy for waging nuclear war in Europe, and that is not a national defense policy.

The reinforcement agreement with the United States of December 1976, which has been kept secret so far, is the worst proof of this. In an--undefined--emergency situation, it authorizes the U.S. Air Force to deploy reinforcements, which, undoubtedly, will be equipped with nuclear weapons, at Danish air bases.

The second alternative may be dismissed summarily: No disarmament talks have led to disarmament in this country. This is no argument for not carrying on or resuming such talks--everything may change--but it is no realistic argument either in the debate on the new defense agreement.

Then we have reached the third alternative--that of 're-armament.' In case anybody should wonder why a peace movement would take any position at all on the concept of armament, why we, so to speak, would dirty our hands, we should like to point out that there is a natural need for security among the Danish people. A fundamental human need on a line with the need for clothing and food.

Hitherto, the peace movement has concentrated on reacting to things. It has rejected nuclear weapons, and it rejects the attempt to overtake us on the inside, as some military people are now intending to do with their demand for a gigantic conventional rearmament.

However, the peace movement has never before attempted to demonstrate how the long-term objectives of the disarmament may be achieved step by step.

Jan Oberg, peace researcher, has coined the expression 'nuclear war pornography.' Descriptions of the horrors which will be released by a nuclear war frighten people out of their wits but cause but a tiny minority to follow one of the most frequently used slogans of the 'No to Nuclear Weapons' movement: Convert Your Fears Into Actions.

Jan Oberg proposes that we instead employ the slogan: Convert Your Hopes and Your Positions Into Action.

No popular movement may survive in the long run by merely protesting against existing solutions without, at the same time, pointing to other alternatives. The Organization for Information on Nuclear Power, OOA, has very wisely, simultaneously with its rejection of nuclear power, pointed to the sun and the wind as alternative energy sources.

The peace movement is about to succeed in its efforts against the rearmament craze, but, so far, we have not been able to point to any realistic models for alternative solutions.

The excuses that the subject is entirely new, that it is too complicated, that we know too little about it, etc., which I hear every day within the peace movement, are not valid. There is an enormous amount of thoroughly prepared literature on alternative defense and 're-armament' solutions (Oberg, Jens Thoft, Gert Petersen, Johan Galtung and many others).

Moreover, within the Defense Command, Major Jens Jorn Graabak has suggested concrete ideas of developing, by means of new technology, an entirely new type of defense system of a purely defensive nature, involving small, mobile units; a defense system which, moreover, may be adapted to the idea of nuclear-free zones.

Graabak may be a lonely bird within the rigid Danish Defense Command; however, quite a number of young officers are stated to be thinking along the same untraditional lines.

Let us meet in a new Danish peace movement which not only says no but which also demands a new national defense policy under the motto:

Denmark for Peace.

7262
CSO: 3613/148

SOCIAL DEMOCRATS' ROBERT PEDERSEN ATTACKS MISSILE OPPONENTS

Copenhagen BERLINGSKE TIDENDE in Danish 26 Apr 84 p 8

[Article by 'Jeton']

[Text] Social Democrat Robert Pedersen asserted that a little country like Denmark could preserve its international credibility only if a broad majority supports defense and foreign policy issues.

"I regard it as a very unfortunate situation that Folketing can no longer stand united on Danish foreign and defense policy, as it used to. A little country like Denmark can preserve its credibility around the world only if a broad majority supports defense and foreign policy issues," stressed Folketing member Robert Pedersen of the Social Democrats in a speech to the Espergaerde local branch of "Defend Denmark" last night.

Robert Pedersen said of the next defense act that personally he expects to continue with budgets adjusted to the cost of living that would also allow an expansion of conscription so that it is possible to call up more young people rather than leave them in the ranks of the unemployed.

In a commentary on what he called the calamity of the dual decision by NATO, Robert Pedersen said that time will rescue us.

"The Soviet Union is basing its foreign policy on realities. Soviet leaders are well aware that the NATO missiles will be installed. The only doubt on this score at the moment is in Holland, where a discussion is being held as to whether 48, 24 or 16 missiles should be deployed. But that is not the major question. When a period of time has elapsed, the Soviet Union will find an excuse to go to the bargaining table. Personally I believe that in the course of a few years we will have a solution to the entire missile issue," said Robert Pedersen.

"The people who call themselves peace movements are just postponing a solution. They make a lot of noise and the more of a fuss they make the more they give the Soviet Union the impression that they are influencing the political debate."

Of his own attitude toward the dual decision and the missile debate, Robert Pedersen said that he had avoided voting with his party every time the question came up in Folketing.

"I do not think one can vote against his own party. If I did that I would embarrass the party and I would rather not do so. I just want to make it clear that I do not think the question of the dual decision has been dealt with properly."

6578

CSO: 3613/145

NEW CHAIRMAN OF 'PEACE DEFENDERS' HITS EUROMISSILES

Helsinki UUSI SUOMI in Finnish 6 Apr 84 p 2

[Text] "Bringing Euromissiles to Europe was a twofold misfortune. Now the Soviet Union too has to increase its own missile load. The Soviet leadership hierarchy has also been forced to forget the official statement in which it promised to reduce the number of their missiles," the new chairman of the Finnish Peace Defenders, Central Medical Board director Matti Ruokola, thundered.

"This is a realistic affirmation which has nothing to do with politics. If the Euromissiles had not been brought, the nuclear load in Europe would have been reduced to less than the now-existing number," Ruokola, the association headed by whom has been charged with partisanship, explained.

"Soviet missiles are no less dangerous than U.S. missiles," Ruokola admitted.

Army Is No Threat

Ruokola views Finland's Armed Forces as a tool for the defense of Finland.

"The maintenance of defense readiness is an essential part of every nation's preservation of its identity, independence and right to self-determination. Finland is capable of maintaining a credible defense with one of the world's smallest appropriations per citizen."

Conviction Is of Most Importance

In Ruokola's opinion, Finland's compulsory military service law should not be altered. According to Ruokola, people's conviction should be extensively respected in civilian service.

"I am now specifically thinking of an attitude that is based on deep-seated religious conviction. I cannot regard that as being criminal."

According to Ruokola, the percentage of applicants for civilian service has remained the same for years now.

"There have been, are and will be such people," Ruokola believes.

To Ease the Choice

In Ruokola's opinion, we should look for easier ways of choosing in the selection of form of service and exemption from serving.

"A very highly educated person's talents, for example, possessors of technical skills, doctors and scientists, should be trained for situations that are more in keeping with their experience, not start from the ground up in their training phase. This is how it's done in both the Soviet and Western armed forces. It's not a matter of different standards."

11,466

CSO: 3617/138

DE HOOP SCHEFFER ON DUTCH ROLE IN NATO

The Hague LEGERKOERIER in Dutch Mar 84 pp 14-17

[Report on interview with Ambassador J.G.N. de Hoop Scheffer of the North Atlantic Council by M.v.H.: "The Netherlands Has an Important Input in NATO"]

[Text] "This government also sees NATO as a cornerstone of its security policy. That causes us to be active in many areas of the allied cooperation. For instance, we have had, and still have, an important input in the area of arms control. I'm thinking, for example, of the ministerial meeting of the Nuclear Planning Group held in Gleneagles in 1981. In the discussions held there on the so-called zero option, the Netherlands had a very important input. (Zero option: the proposal launched by the United States in November 1981 not to place American medium-range nuclear missiles in Europe and to remove all Soviet SS-20, SS-4 and SS-5 missiles.) The Netherlands also played a not insignificant role in the creation of the 'comprehensive' report (the so-called Shift Study)."

Thus states Ambassador J.G.N. de Hoop Scheffer, Dutch Permanent Representative with the North Atlantic Council, the highest organ for decisionmaking and consultation in the Alliance. He is a diplomat with considerable and varied experience in the "foreign service," who has represented our country in many capitals, both in and outside of Europe. Before he came to Brussels in 1981, Mr De Hoop Scheffer was ambassador in Greece.

As Dutch ambassador with NATO he participates in the weekly meetings of the North Atlantic Council and in the meetings of the Committee for Defense Planning which are held regularly although not on fixed dates. This committee is concerned with specific defense matters and is composed of the representatives of the member states which are part of the integrated military structure of NATO. (France, which withdrew from the integrated military command in 1967, thus is not part of it; Spain, which has not yet entered into that cooperation, is, however, just as is Iceland, which has no armed forces itself.

"As Permanent Representative, it is my task to make the ideas and policy views of the Dutch Government known in Brussels," said De Hoop Scheffer. "I am, you might say, in constant discussion with the representatives of the other

member states. That means that simultaneously I learn what the feelings are of the other member states, and thus I report on those to The Hague. Thus there is true two-way communication. Furthermore, the Council meets twice a year at the level of the ministers of Foreign Affairs, just as the Defense Planning Committee (Committee for Defense Plans) also meets twice a year with the ministers of Defense."

Intensive Consultation

[Question] To what extent does the United States play a dominant role in the decisionmaking process in the NATO, and to what degree does the United States alone set the policy in negotiations with the Soviet Union?

De Hoop Scheffer: "It is absolutely untrue that we have nothing to say in that respect. All the NATO countries participate in the debate as sovereign nations, with formal equal status, on the policy to be pursued. Although it is of course a fact that the United States, as superpower, plays a big role in the worldwide defense of Western interests, that does not mean that the other partners in the treaty cannot influence that role. Actually, there are several participating countries which on the whole take a somewhat individual position. The Federal Republic of Germany, for example, because of a more individual position with respect to the East-West relation, or France, which participates only in the political debate and not in the integrated military NATO context. A good example is Geneva. Actually, already since the dual decision of 1979, but in particular since the Americans started to speak with the Soviets about decreasing medium-range nuclear arms, there has been intensive consultation with the other treaty partners. In the Council, as well as in the so-called Special Consultative Group, there was, and still is, considerable open discussion, and the Americans are definitely listening. There is indeed an indication of clear changes in the American attitude, which were a result of the consultation held very intensively every 14 days, particularly during the last few months before the breaking off of the negotiations in Geneva."

[Question] Ambassador De Hoop Scheffer made a trip through the United States last year, together with others, in order to foster more understanding among Americans for the feelings of the European Treaty partners. What is the public opinion of NATO in the United States?

[De Hoop Scheffer] "What I observed in that respect, is that people in the eastern area, thus in the area bordering the Atlantic Ocean, are very conscious of what NATO means. However, the farther I travelled West, the more I noticed that interest for, let's say what happens in Washington, decreased.

"Therefore I find it so important that we continue to emphasize the fact that American and European interests do not diverge. Even though certain currents are discernible in the United states which go toward isolationism, withdrawal to one's own territory and faith in on's own strength, the tie with the NATO partners on the other side of the Atlantic Ocean is assured, certainly with the current administration."

Patriot

Ambassador De Hoop Scheffer sees a growing understanding in the United States for Western European interests in, for example, the course of events with respect to the Netherlands' purchases of the Patriot air defense weapon, in which the Netherlands obtained firm reciprocal provisions from both the U.S. Government and industry:

[De Hoop Scheffer] "I think that we may certainly call this a complicated matter which was crowned with success after much effort and trouble. It is very important for the Netherlands to have succeeded in including in the contract mutual obligations, not only on the basis of industry to industry, but also at the government level, through which the burdens can be shared and Dutch employment opportunity is promoted. I consider the result of this purchase even more important for the Netherlands because you always hear in the United States: 'Buy American,' even though equal or better products can be obtained in Europe. Now the United States has committed itself to also buy Dutch products."

[Question] In 1967 the so-called Harmel Report (named after the Belgian Minister of Foreign Affairs Pierre Harmel) pleaded for NATO, on the one hand, to exert itself for defense but, on the other hand, to promote detente between West and East. Are both principles still equally in force for NATO, considering the course of events in Geneva (negotiations on medium range missiles in Europe, broken off by the Soviets) and Vienna (discussions on mutual troop decreases in Europe which have been dragging on since 1973)?

De Hoop Scheffer: "The Harmel line is still in effect. Despite the disappointments of the past, NATO's striving also continues to be aimed at political detente. Now that the Soviet Union has broken off the Geneva discussions, it is even more important that the Western willingness to discuss the dialogue continues to be demonstrated. During a deliberation of the ministers of Foreign Affairs last December it was therefore decided to do a 'follow-up' for that striving for political detente.

"It is a matter of improving stability between the power blocs, and the question is: how do you provide new motivation for that? The European Disarmament Conference in Stockholm and the newly initiated discussions in Vienna lend themselves very well to that, of course.

"In the United States, 'detente,' relaxation, sometimes is considered synonymous with being prepared to accept far-going compromises. But we certainly do not attach that meaning to it. In this respect also, a West-West [as published] dialogue is of great importance."

[Question] Walking through the buildings of NATO headquarters in Brussels, one meets many dozens of visitors. In all likelihood, a number of them are visiting the Dutch delegation at NATO headquarters.

De Hoop Scheffer: "Here in Brussels there is a constant flow of visitors' groups. Three, sometimes four times a week those include Dutch groups. They might be high school or college students, but also members of religious communities and political parties--in short, all kinds. Groups of 20 to 30 Netherlands are given lectures arranged by the International Secretariat (NATO Information Service) and sometimes by members of my delegation. (This delegation consists of about 50 people who work in one of the departments: politics/economy, defense policy matters, infrastructural matters and materiel cooperation, crisis management, and budgetary matters. They further participate in committees and task forces.) Such a visit usually ends in a panel discussion in which members of the Dutch delegation form the panel. I am very positive toward that, for it is important that we make it clear that NATO represents the free world. Therefore we don't resist critical groups either,--to the contrary."

[Question] NATO has existed for 35 years now. What does that mean to you?

De Hoop Scheffer: "To me, it means that NATO has justified its existence; it has saved us from a world war. If NATO had /not/ existed, there probably would have been war in Western Europe."

[Question] Do you think that the NATO will retain that war-preventing function also in the future?

[De Hoop Scheffer] "I'm convinced of it that as long as the tensions between East and West continue, the NATO will continue to play the same essential role also in the future."

8700

CSO: 3614/77

KGB RECRUITING, DISINFORMATION ACTS IN SWEDEN, NORWAY VIEWED

Stockholm GNISTAN in Swedish 22 Mar 84 pp 7-11

[Article by Peppe Engberg]

[Excerpts] Sweden has become a refuge for expelled KGB agents. The Nordic region has become a "common labor market" for Russian KGB officers. Stockholm is the most sought-after posting place in Scandinavia for KGB career men.

The unveiling of the Norwegian KGB agent Arne Treholt directed attention to Soviet intelligence activities in the Nordic region. Here GNISTAN reveals the names of men you should not become friends with.

Some of the KGB's agents are found at the embassy in Stockholm. GNISTAN has provided sketches of some of the most influential ones.

Viktor Vasilevitch Karyagin is the consul general in Goteborg. In 1971 he was expelled from England for espionage. Leonid A. Makarov was designated as the KGB's Scandinavian chief. The post is now vacant following Makarov's expulsion from Norway.

Look at the pictures above [not included]. They are copies of an official list of diplomats at the Russian Embassy on Gjorswellsgatan, No 31, in Stockholm. The circled names are those of some of the KGB agents who work or have worked in Stockholm. Several of them were posted to Stockholm after having been expelled from other countries. Some have been sent home from Sweden.

Evgeniy Rymko: charge d'affaires, former press attache. In reality head of KGB disinformation activity.

Vladimir Koretsky: the highest KGB chief in Scandinavia during the 1970's. Left Sweden in 1982.

Vadim Kornilov: former shipping attache. One of the 105 intelligence men expelled from England in 1971 for espionage. Has now left Stockholm.

Yuriy Polyakov: cultural attache. In reality a KGB officer.

Nikolay Tsyutskov: one of the group expelled from England in 1971 for espionage. Now KGB man in Sweden.

Number 2 Man in Goteborg

Then there are the agents working outside the embassy:

Viktor Karyagin: consul general in Goteborg. One of the group expelled from England in 1971. Could be the KGB's number 2 man in Sweden. Responsible for about 10 agents at the oversized consulate in Goteborg.

Yuriy Kuritsyn: correspondent for NOVOSTI. Expelled from Kenya in 1966 for illegal intelligence activity. Actually assigned to Helsinki. But he also carries out intelligence activity in Stockholm.

Vasily Glukovskiy: KGB man. Expelled from Ghana in 1966 for espionage. Now active in Stockholm.

Stanislaw Makarov is also interesting in this context. Makarov is first embassy secretary at the embassy in Stockholm. He is also the contact man for a person called Theodor Nemec. Those who have been reading GNISTAN for several years will know that Theodor Nemec is a Czech stationed at the Stockholm International Peace Research Institute, SIPRI. He is formally employed as a "researcher." But he is not engaged in research, he handles SIPRI's contacts with East European nations. Alleged to be responsible for halting Maria Lundelius's research on the SS-20.

There are also a smaller number of KGB and GRU agents who move outside the official Soviet institutions.

These are the really dangerous agents. The unknown infiltrators. Agents mapping out Sweden. There are many informants. A Russian TIR truck "loses its way" on the back roads around Karlskrona. A submarine hunt is going on in the archipelago. Another drives around far up in northern Varmland and the truck turns out to have electronic equipment for measuring the durability of road surfaces.

Russian vessels chart our archipelagoes in the same manner, producing their incredible nautical charts.

Russian combat pilots act as civilian flight captains on Aeroflot's regular flights to Sweden. One way of becoming familiar with Swedish territory.

Common Labor Market

The GRU is in charge of military espionage. KGB activity is concentrated on political opinion-shaping (disinformation, exerting influence, mapping) and industrial espionage. The consul general in Goteborg is well-placed in one of Sweden's most technically advanced industrial cities. There are also a small number of Russian firms in Sweden. Matreco in Sodertalje has been pointed out as a cover firm for the KGB's industrial espionage. A month ago Norway expelled the director of the firm Konela Bil Norge, Inc. Director Igor V. Granov worked on the side as a KGB agent.

Many agents are known to SAPO [Swedish Security Police]. It is better to have old familiar faces than new and unknown ones, the reasoning goes. Norwegian, Swedish and Danish intelligence services exchange information. The Nordic region is a "common labor market" for the KGB too. Agents circulate from Stockholm to Oslo to Copenhagen. KGB men in Sweden therefore speak good Norwegian or Danish.

Alexander Lopatin, for example, was placed in Stockholm from 1968 to 1972. He came to Oslo in February 1974 with the title of first secretary. Left Norway in 1976 but was the agent Treholt met in Vienna in August 1983. Lopatin moved in radical youth circles and among exiled Greeks in Stockholm.

New Resident?

Yuriy Anisimov was third secretary in Stockholm in 1972-77. In 1980 he went to Oslo. Leonid Lepeskin started his KGB career in Stockholm. He was posted to Oslo 1966-71 and was one of Treholt's first contacts. Vladimir Zhizhin moved around the Nordic region, was press chief at the embassy in Oslo. Like Lopatin concentrated on Social Democratic youth groups. Left Oslo in summer 1977 in connection with the unveiling of KGB agent Galtung Haavik. Met Treholt in New York in 1979.

The KGB's Scandinavian chief is called the resident. Embassy counsellor Leonid A. Makarov was resident before being expelled from Norway because of the Treholt affair. Makarov was in Copenhagen in 1967-73. It is unclear who will take over the responsibility.

Gennadiy Titov has been pointed out as chief of West Europe's top agents, a real heavyweight. Posted to Oslo 1971-77, had both Galtung Haavik and Arne Treholt in his stable. Expelled from England as early as 1961. Now meets his agents in Vienna and Helsinki and has direct contact with the highest leadership of the KGB.

Auxiliary Spies

Stanislaw Tebotik, Mikhail Utkin, GRU officer Anatoliy Artamonov and Yevgeniy Belyayev were banned from Norway following the Treholt scandal. This means they are not welcome in Sweden either.

The Treholt affair was a real handicap for the KGB. But it has auxiliary troops.

In 1978 SAPO succeeded in photographing Lieutenant General Markus Wolf in Stockholm. Wolf is head of the East German HVA (Hauptverwaltung Aufklärung [Central Intelligence Office]) a sister organization to the KGB. According to "agent researcher" Stellan Nehlmark, Wolf was here to check his agent network. HVA is very active in Sweden, which can be seen in the extensive radio traffic from Berlin, among other things (nine times out of ten agents receive their instructions via shortwave radio).

Pattern

Norwegian security police have put one KGB agent out of action.

How could a top civil servant and Social Democrat like Arne Treholt become Moscow's man?

An accident? An isolated personal tragedy? Or is there a political pattern behind the Treholt affair?

GNISTAN has gone through the political commentaries on the Norwegian spy case.

"We knew the KGB was recruiting spies from the left wing. Everybody knew it, but everyone did not combat the pattern that led Treholt into the arms of the Russians," according to someone who was there.

Vodka Cruises

During the whole postwar period the Russians have put a lot of resources into recruiting sympathizers and participants in peace conferences in East Europe, friendship cruises and cultural exchanges.

Today it is not very controversial to characterize many of these eastern trips as "vodka and caviar" events.

Well-staged propaganda hype in support of Russian foreign policy.

"The congress was a step in the East bloc's political propaganda, closest to the current agitation for peace, which at the deepest level is aimed at cementing the image of the Soviet Union as the main standard bearer of peace-loving forces to the extent that any Russian aggression would immediately be approved as an act of peace."

That is how a young student leader named Olof Palme described one of those peace conferences in 1950. As we know, he has since stopped talking about "agitation for peace" as something negative. One of the people Palme met at the conference was a Russian student named Shelyepin. He later became head of the KGB.

The left-wing surge in the 1960's created some new conditions for Russian image-making. The political climate was favorable for the Russians.

Youth Attaches

Between 1965 and 1970 the KGB concentrated on forging contacts among these generally radical and anti-American youth groups. At the embassies in Oslo and Stockholm there were special youth attaches whose job was to work among politically active young people.

In Stockholm there was Alexander Lopatin, called "the flea" in Swedish intelligence circles, in the period 1967-72. He then moved to Oslo in 1974-76. In Norway KGB officer Vladimir Zhizhin was active, especially in Social Democratic youth groups. Along with the man who was then head of TASS in Norway, Yevgeniy Zotin, Zhizhin worked energetically to get AUF [Labor Youth] members to write positive articles about East Europe in their publications and membership papers. Zhizhin later became a key man in the contacts with Treholt.

The KGB is interested in the big refugee groups that come to Scandinavia from Greece, Turkey and more recently from Chile. Many in these exile groups view the Soviet Union as a friend and ally, which is not insignificant for the young people who are active in solidarity work. It was in solidarity actions for Greek democracy that Arne Treholt came in close contact with the KGB.

AUF in the Center

In Norway the Russians were especially interested in radical AUF circles. But Young Liberal members were also an important target group.

The broad range of contact in AUF is interesting in view of the fact that Scandinavian Social Democrats in the 1950's and early 1960's were very pro-American. The fact that the International Union of Socialist Youth was receiving money from the CIA was exposed. This disclosure led among other things to the suicide of an AUF chairman. (In Sweden, current Social Democratic member of parliament Sture Eriksson, who was active in the international secretariat, was accused of collaborating with the CIA.)

In the middle of the 1960's a "radical" anti-American trend in AUF became strong and in its wake the Russians started turning up.

Jaruzelski a Patriot

There is a pro-Soviet tendency within the Labor Party, AUF and the union movement. The party's vice chairman, Einar Forde, astonished people when he visited Poland under the state of emergency and came home to explain that General Jaruzelski was a great "patriot."

AUF has been accused of trying to counteract solidarity efforts for Poland and Afghanistan.

The same criticism has been made of some of the union leadership. Arthur Svensson, chairman of the Chemical Workers' Union, has been criticized for having pushed through a very weak statement when the membership wanted to express support for Solidarity in Poland. Incidentally it was at the Chemical Workers' congress in 1981 that Jens Evensen announced his move for a Nordic nuclear-free zone.

Svensson belongs to the same "left-wing" group in the Labor Party as Evensen and Treholt.

The Norwegian Federation of Trade Unions [LO] has an extensive exchange with the state-run East European union movements. LO chairman Tor Halvorsen paid a visit to East Germany at the same time the Treholt affair was being uncovered.

Self-Critical Tones

No one is claiming that the political opinions and positions of the union leadership are the result of KGB activity. But the personal contacts raise questions concerning the political climate and pattern behind Arne Treholt's activities.

Self-critical tones have also been heard in the Socialist Left (SV) Party, for instance, which broke away from the Moscow-friendly Norwegian CP in 1975.

In the party newspaper NY TID, Jan Otto Hauge, who counted Arne Treholt among his closest friends, wrote that "in the radical AUF climate at the end of the 1960's there were a number of romantic ideas about the Soviet Union's position as the most solid bulwark against American imperialism."

NY TID editor Ingolf Hakon Teigene came to this conclusion in an editorial:

"This spy affair shows how necessary and important the left's effort to clean up its relations with the Soviet Union has been. It is no exaggeration to say that the political left--including large parts of SV--had a view of the Soviet Union 10 years ago that was largely characterized by lack of clarity, indulgence and 'understanding.'

"The ideological debate of recent years plus such varied events as Afghanistan, Poland and the submarine that ran aground in the Swedish archipelago have opened the eyes of the left. The Treholt affair demonstrated once again that one should be completely free of illusions when it comes to Soviet behavior."

New Target Groups

It is possible that political developments have given less space for the KGB infiltration of the left from the 1960's. On the other hand, developments have led the KGB to focus on new target groups. In the last 4 years the Russians' influence and disinformation activity in West Europe has been directed toward affecting the deployment of NATO's cruise missiles. In the Nordic region the major project has concerned the Nordic nuclear-free zone.

According to the Norwegian security service there are 90 agents for the KGB and the GRU (the military intelligence service) in Norway, with about 10 of them concentrated on political influence. Of course the Russians also use more open channels for their efforts to influence public opinion. Berge Furre, former chairman of the Socialist Left Party, says that in the mid-1970's there was no contact between the party and the Russian Embassy. But things changed when the issue of the NATO cruise missiles came up in the Norwegian debate.

"The embassy initiated new contacts and this was part of an international pattern. The party leadership regarded this as a coordinated assault on left-wing parties in NATO countries," said Furre, who added that the SV leaders' reserved attitude led to the failure of the Russian assault.

Turning Up

It is not easy today to get an insight into how extensive the Russian contacts are with various political organizations. Two months after the Treholt revelations, the political debate on the issue has died down, at least in the mass media. But from time to time, brief comments tell us a great deal:

"The embassy people used to look us up and from time to time they turn up at our office to look into the members of various boards, committees and the like."

So said Knut Langeland in an interview with NTB. Langeland is chairman of European Youth, a nonpartisan movement working for a "united Europe," Norwegian membership in EC, etc.

The Norwegian security service has rendered a KGB agent in Norway harmless. Some Russians have been expelled. In 4 months the political youth groups will resume their contacts with the Russian Embassy.

Arne Treholt is out of the picture. But the pattern behind the Treholt affair is still there.

K-4--New Disinformation Tool?

Has the Soviet intelligence service spawned a new organization? Some reports suggest that it has. GNISTAN has received very well-informed information

that the KGB and GRU have formed a special unit for disinformation and influencing activities in Scandinavia.

The new organization is said to be called "K-4." The organization is led by someone who is not a member of the group of known KGB men.

Neither Stellan Nehlmark nor Dragan Jovius, perhaps Sweden's most prominent experts on the KGB, has heard anything about this unit. But Stellan Nehlmark says that Russian intelligence activities constantly change their designations in order to make it more difficult to figure them out.

People at SAPO also said they knew nothing of the new organization. GNISTAN hopes to be able to return with more facts about this matter.

With Lies as Weapons

In November 1981 Sweden's ambassador to Washington wrote a letter to leading newspapermen in the United States. A few weeks earlier the submarine commission had presented its report on Harsfjarden, indicating the Soviet Union as the country responsible for the violation.

In the letter Ambassador Wilhelm Wachtmeister made it clear that he did not believe in the commission's evidence.

Wachtmeister's letter is an example of the KGB's disinformation activity.

Disinformation, the spreading of false reports and rumors, is one of the KGB's political assignments. Ambassador Wachtmeister's letter was a fabrication. It is true that it was written on Wachtmeister's notepaper, but it was the KGB that wrote the letter to the press.

The Treholt affair shows that the KGB's disinformation to the mass media can be very effective.

Sometimes the examples are tragicomic:

In 1977 Norwegian Foreign Ministry civil servant Gudrun Galtung Haavik was exposed as a KGB agent. The mass media wanted to know if Haavik had revealed internal negotiation tactics concerning talks on the borderline between the Soviet Union and Norway in the Barents Sea.

This was categorically denied by a representative of the state authorities. The person making the denial was Arne Treholt, himself a KGB agent.

Treholt's most important contribution as influential agent occurred in the negotiations on the borderline between Norway and the USSR in the Barents Sea. Treholt was part of the Norwegian delegation but was secretly dealing with the Russians. At the same time Treholt tried to manage the mass media's picture of the talks. He was almost entirely successful in doing so.

When the talks were going on in Moscow in 1976, TV's Moscow correspondent Jahn Otto Johansen refused to swallow the picture presented by Treholt. Johansen was very critical of the results of the Norwegian negotiations. Treholt then tried to remove Johansen from his TV job.

"He cast aspersions on my national loyalty and even charged that I was working for the Russians," Johansen says now.

CIA Backing

On 17 July 1977, Norwegian Radio broadcast the report that the Norwegian Supreme Command had no objections to the zone agreement. In reality the Supreme Command had not discussed the matter. Treholt had given the "news item" to a journalist.

When parliament was due to take a stand on a gray zone in the Barents Sea on 8 March 1978, American criticism was published. Arne Treholt tried to cast doubts on the criticism. He appealed to a journalist working for VERDENS GANG (Stein K. Kristiansen) and charged that the American criticism was really a deliberate action by the CIA intended to put pressure on parliament. The United States was treating Norway like a "banana republic," the KGB agent told the mass media.

The next day, ARBEIDERBLADET (Labor) sharply denounced "CIA intervention." TV halted an episode on the criticism.

On 9 March the zone agreement was approved by parliament, 65 votes to 61.

Deliberate Campaign

Disinformation is part of the Soviet Union's attempt to shape public opinion in West Europe. Disinformation activity comes under the KGB's Directorate 1, Section A. A stands for "Aktivnye Meropriyatiya"--active influencing. The new section was organized about 10 years ago.

The KGB spends \$4 billion a year on disinformation, according to American (CIA) reports. About 2,000 agents are involved. The Central Committee of the Soviet CP's International Division, under the leadership of Boris Ponomarev, plays a central leadership role. The man responsible for disinformation is Leonid Zamiatine, who has TASS and NOVOSTI, New Times, and Radio Moscow in his pocket.

The KGB disinformation activity is deliberate. For the last 4 years it has been concentrated on shaping public opinion against the NATO cruise missiles. Before that it was the neutron bomb campaign. In the Nordic region it has involved the zone issue and creating a general mood that is critical of NATO.

The KGB is not always successful. Ambassador Wachtmeister's letter was exposed.

Nor did anyone believe APN [Soviet News Bureau] colleague Viktor Kudrayasev when he "revealed" in a letter to the Swedish editor in chief on 16 May 1983 that Sweden was taking part in a NATO conference on "antisubmarine warfare."

The KGB makes fake letter paper, sometimes down to the right watermark. Official letter paper increases credibility and the mass media are more likely to swallow the bait. In this way false reports, supposedly secret or discrediting to certain individuals, have been planted in some papers.

When it was announced that NATO was going to deploy cruise missiles in England, a letter containing "secret documents" was sent to peace activists that disclosed the bombing targets in Europe that were part of the calculations of the American military leadership. This turned out to be material that was 20 years old which the Russians had used in their propaganda as far back as 1970. But it was good enough for one more time.

In Holland a number of newspapers received a cassette tape of a telephone conversation between President Reagan and Prime Minister Thatcher. Both said it would be necessary to use nuclear bombs against West Germany if the Soviet Union attacked West Europe. The tape was a very skillfully spliced potpourri of authentic statements by the two leaders; the tape even included the atmospheric static typical of transatlantic conversations.

In August 1982 the Belgian leftist newspaper DIE NIEUWEV published a document in which Alexander Haig "disclosed" that the United States would be the first to use nuclear weapons if a conflict broke out with the Soviet Union. The document made it clear that the cruise missiles would be forced on the West European nations by the United States.

But the document was fabricated by the KGB.

In November 1981 a number of newspapers were informed that Sweden was opening up a naval base in the Baltic Sea to the American submarine fleet. The "revelation" was very opportune in view of the submarine hunt in the Swedish archipelago.

In January 1982 several Greek newspapers received a document that "revealed" that the United States would support a military coup unless Greece extended the contract for the American bases. In May 1982 the KGB distributed a false document in which America's Commerce Secretary advised Reagan to use economic sanctions against countries that were involved in the Russian gas project. In June came a false document that created the impression that the United States had assisted England with satellite pictures of enemy positions during the war over the Malvinas. And so forth.

In France, journalist Franqais Pierre-Charles Pathe was sentenced to 5 years in jail in 1980 for having helped the KGB spread disinformation. Stanislaw

Levchenko, a KGB agent who defected, has revealed how several editors in chief and a TV chief in Japan were paid for spreading disinformation to counteract a rapprochement between China and Japan.

Paid Advertisements

Disinformation can consist of making an expression of opinion sound stronger than it really is. In 1982 the KGB talked Danish peace activist Arne Pedersen into running ads propagandizing for a Nordic nuclear-free zone. The KGB paid for the ads.

Author Paul Anastasis says that the biggest daily paper in Greece, ETHNOS (Nation), is the KGB's most daring disinformation project. Anastasis charges that the publisher of the paper, George Bobolas, received \$1.8 million in state capital. The clever thing about ETHNOS is that it is not openly pro-Soviet even though it reports on the Russian "peace operations" in Afghanistan. The disinformation consists of news "disappearing."

President Papandreou's criticism of KKE [expansion unknown], which is loyal to Moscow, disappears along with the Soviet Union's aid to Turkey (Greece's enemy). The newspaper plays up the differences between Greece and its NATO allies.

Independent Sources

The Anastasis book has been condemned as a "CIA trick" by the newspaper's owner but it is known that the KGB is behind newspapers in other countries. Harry Rositzke, in his book "The KGB, the Eyes of Russia," named among others the Indian weekly paper, LINK.

The KGB prefers to plant false news items with independent newspapers, preferably nonsocialist ones. This increases credibility and later the Russian news agency TASS can quote the "independent" source and cable the disinformation around the world.

KGB expert Stellan Nehlmark regards PROLETAREN's news that SJ [Swedish Railways] allowed NATO to ship war materiel through Sweden as such an example. The original article used by PROLETAREN was a KGB product. PROLETAREN's news was played up in the mass media and TASS was then able to spread the reports further: "Swedish newspapers charge..."

SAPO Very Successful Despite Stig Bergling Defection

Stig Bergling did serious damage to the Swedish security police. This forced SAPO to reorganize its work.

But the Russians have lost the most in the agent conflicts of recent years. The constant expulsions have led to a decline in the quality of their agents.

When security policeman Stig Bergling was unveiled as a KGB agent, it dealt a very hard blow to the Swedish security police.

One of the most experienced men was unmasked as a traitor. When the police leaders pulled themselves together after the shock, the restoration work began. The public never knew how great the damage was.

Bergling knew of all the work SAPO had done through the years to map out foreign agent networks in Sweden. He could follow SAPO's hunt for KGB moles day by day. He knew what SAPO knew about Russian agents, contact people and contact channels.

Stig Bergling also acted as a contact link between SAPO and the defense intelligence service. This means he could keep the Russians informed of exactly what the Swedish authorities knew about the Russian network of industrial spies and Russian familiarity with defense installations. The KGB and GRU thus knew all along when things were getting too hot for their agents.

Stig Bergling's treason forced the police leadership to shake up personnel at SAPO. A process that cost money, time and not least loss of experience and personal contacts.

Lost Best Group

But the big loser in recent years has been the KGB. In just a few years the Russian intelligence service has lost several hundred agents in West Europe, Asia and Africa.

In April 1983 France showed 47 Russians the door after the French security police, DGSE got tired of the Russian agents' boldness (see GNISTAN No 38, 1983). It was the most costly loss the KGB has had in West Europe since 1971 when England expelled 105 agents.

Almost all the western countries have taken the gloves off in dealing with the KGB. In 1983 the Russians experienced their worst year ever. At least 150 agents were expelled or declared persona non grata. At times this has been done with great fanfare, as happened recently in Norway. This was also the case when Sweden declared Albert Liepa persona non grata in April 1982. Liepa was in charge of KGB infiltration of exiled Latvian circles in Sweden.

SAPO Successful

But often this is done more discreetly. The Russians dislike the attention of the mass media more than having the Swedish Foreign Ministry unmask them as agents. The Swedish government is also interested in preventing the agent war from getting blown out of proportion. Both nonsocialist and Social Democratic governments have been anxious to keep a low profile in the conflicts with the Russians.

SAPO has undeniably been successful when it comes to winding up KGB activity. From time to time it has demonstrated its irritation at the illegal intelligence activity.

In December 1982 Sweden expelled three agents. They were assistant embassy military attache Petr Skirokiy, Goteborg consul general Yuriy Averin and Anatoliy Kotev, a Russian citizen. The three had shown too much interest in the Swedish defense industry and some of its employees. More specifically the espionage concerned Saab-Scania's guidance system for missiles.

In December 1982 the Russians had to take another three agents home. The embassy's second secretary, Gregoriy Rapopa had devoted himself to tasks that were "incompatible with official assignments." The same applied to Vyacheslav Timofeyev, third secretary. The KGB also lost one of its agents who was officially employed by a Soviet firm.

The Foreign Ministry warned a fourth man. It was made clear that SAPO was keeping an eye on Daines Zermenis, third secretary at the embassy. Zermenis had not only taken over the expelled Albert Liepa's post, he had also taken over his contact network among Latvian exiles.

These repeated blows from SAPO and other intelligence services have created big problems for Russian intelligence work. It takes time to train agents, the Russians are speeding up the training process and their contact network is constantly eroding. The fact that western security services exchange information about the KGB does not make its activity any easier.

The result has been that the KGB has been forced to fill the gaps with B agents. But in spite of this there is no doubt that the KGB carries out a more extensive activity than we ordinary mortals can conceive of.

6578

CSO: 3650/162

BRIEFS

SIUMUT ACCEPTED INTO SOCIALIST INTERNATIONAL--The Greenland government party, Siumut [socialist, radical home-rule party] was formally accepted by the Socialist International yesterday. Siumut will become a consulting member without the right to vote but with access to participation in the organization's meetings and the right to receive material from the Socialist International. The acceptance of Siumut was recommended by the Danish Social Democratic Party. All other applications for acceptance--aside from the Greenland application--were postponed during the 2-day meeting of the Socialist International in Jorlunde near Slangerup. [Text] [Copenhagen BERLINGSKE TIDENDE in Danish 27 Apr 84 p 3] 6578

CSO: 3613/145

SPD WEIGHS 'GRAND COALITION' FOR POSSIBLE RETURN TO POWER

Hamburg DER SPIEGEL in German 26 Mar 84 pp 21-24

[Unattributed article: "Whistling in the Dark"]

[Text] The SPD is making plans for a return to power—via election victories in the Laender and possibly via a grand coalition.

When Willy Brandt thinks of the future he looks back to the past—to the year 1966.

When his party friends ask the SPD chairman whether he is getting ready to live with a lengthy tenure by CDU chancellor Helmut Kohl, this is what he tells them: Do not underestimate the populist CDU/CSU politician; but do think back "in what a grand style Ludwig Erhard was elected 20 years ago and how rapidly he was dismantled."

When they object by pointing out that Kohl is not faced by a rebellion in his own ranks as the weak Erhard then was, Brandt brushes them aside. "The factors which make for the current government's popularity are mostly of a transitory nature. The issue is not the loyalty of one's party friends but the reservoir of loyalty among the people. And that will be gone very quickly—at the latest when the structural crisis of the economy begins to have an even greater impact."

Experienced strategist that Brandt is, what he says is probably tinted by the kind of optimism one expects of politicians, even if it sounds like whistling in the dark. But the 1966 "scenario" does take on a realistic look when Brandt begins drawing parallels above and beyond a comparison between the two CDU/CSU chancellors.

He can see signs of an SPD revival in the victory of the SPD's candidate, Georg Kronawitter, in the election for lord mayor of Munich—which came as a surprise even to Brandt. The SPD also won the mayoralty contests in Mannheim, Freiburg (where Rolf Boehme, a former undersecretary in the finance ministry, was elected) and in Loerrach (where the choice fell on Rainer Offergeld, the former minister for economic cooperation).

Above all, however, Brandt believes that SPD fraction vice chairman Hans Apel stands a good chance of being elected lord mayor of Berlin next year. When he mentions "Apel" and "Berlin" 70 year-old Brandt again recalls the sixties.

As lord mayor, he himself often sat at the conference table together with the members of the CDU/CSU government whenever Berlin or German-German issues were being discussed—long before he became foreign minister of the grand coalition cabinet. On special occasions he asked that the fraction chairmen be invited to take part "and all of a sudden there were two Sozis [socialists] sitting at the table."

But Brandt does not merely engage in wishful thinking in the sense that Hans Apel, in taking over the popular role of Berlin's lord mayor next year, would act as the embodiment of the SPD's claim to power. He is also pinning his hopes on his party's chances to win the Landtag elections in both North Rhine-Westphalia and the Saarland in 1985.

Once more he thinks of a parallel to events in 1966. "That year, Erhard was no longer able to govern in opposition to the SPD; in opposition to my party's influence at the communal and Laender level."

In 1966, prior to Erhard's fall, Brandt spoke of a "relative balance of power," referring at the time to the virtual deadlock as between the CDU/CSU's strength on the federal level and that of the SPD out in the country. Months later, that deadlock was resolved by the establishment of the grand coalition.

Brandt's historical musings tend to gibe with forecasts from the CDU/CSU camp. As the meeting between two long-time professionals like SPD deputy fraction chairman Horst Ehmke and Bavarian Minister President Franz Josef Strauss has shown, there are ways of crossing party barriers to exchange views on future power structures. The commonality of views is quite astounding.

Strauss not only shares Brandt's expectation that the SPD will win in North Rhine-Westphalia, Berlin and the Saarland; like Brandt, he is also hoping for a grand coalition in one of the Laender. Strauss would have no objections to CSU and SPD getting together in the Munich city council as early as next week—to send a first signal for the new course.

The motivations of the two men are different, of course. Brandt feels that his party would obtain an optimal starting position for the 1987 Bundestag election, if it could point to its ability of establishing coalitions with as many other parties as possible. He would like the SPD to shed its reputation that it can form a coalition with none but the Greens and that its chances of getting back into the government are therefore nil.

For Strauss as well as for Lothar Spaeth, the minister president of Baden-Wuerttemberg, a red-and-black coalition in one of the Laender would represent a first important step along the way toward a political landscape without the FDP.

By now, Strauss no longer seems to have any desire to take a post in the Kohl government. But that does not mean he is giving up his fight against Kohl who, he still believes, has no future as chancellor.

Following his successful start in office, Strauss expects Kohl to run into serious trouble in the Landtag election year of 1985. Defeats in North Rhine-Westphalia, Berlin and in the Saarland would be blamed on Kohl and the Erhard-type dismantling job could then begin.

The Bavarian leader can already imagine who the troops will be to help him do the job: people like Lothar Spaeth from Baden-Wuerttemberg, Bernhard Vogel from the Rhineland-Palatinate and Eberhard Diepgen, who will have lost the Berlin contest.

To send a red-and-black signal in the midst of such an uproar and, along with it, score a mortal blow against Hans-Dietrich Genscher's liberals, Kohl's staunchest supporters in Bonn, would suit Strauss just fine.

And then one could perhaps make up for a sin of omission committed at the time of Helmut Schmidt's defeat in October 1982. A different CDU/CSU candidate could be nominated and a grand coalition could be formed in Bonn. That was what Strauss wanted then; but when he telephoned Schmidt shortly before the no confidence vote was taken, it was already too late. There was no stopping Kohl any more.

Among the leading social democrats the very first, albeit weak shock waves are being felt which usually are an indication of major tremors. FDP fraction chief Herbert Mischnick sent a ranking foreign liberal courier to the SPD camp—who broke into a loud lament about the FDP's "Babylonian captivity" at the side of the CDU/CSU.

In the absence of an alternative, he said, the FDP was chained to the CDU and was forced to sit by as their intrigues went on. The recipients of this message could draw only one conclusion. Mischnick who, along with Herbert Wehner, had been one of the main pillars of the socialist-liberal coalition for 13 years was now trying to get back on speaking terms with the SPD.

Chairman Brandt feels that such exercises by CDU/CSU and FDP politicians confirm his thesis that the history of 1966 may repeat itself sooner than Chancellor Kohl might like.

Next year at the latest, the SPD will again confront the CDU/CSU-FDP government with an issue which Kohl had long since felt was dead—namely disarmament policy.

"A lot of people will be asking then," says Brandt, "back in 1983 we were told that once the missiles were deployed negotiations would start." But the SPD chairman is certain that "not only will there be no negotiations in 1985 but by then the arms race will have heated up even more."

He is convinced that the superpowers will not negotiate on nuclear disarmament prior to the American elections. There is no sign of movement either on the Americans' or the Soviets' part. "1984 is an essentially lost year," Brandt says. "At the moment, everybody is dazed and confused by inner-German events. There is a lot of hocus-pocus connected with this."

Due to his pesssimistic views on disarmament, he does not think there is any point in having the SPD engage in further efforts vis-a-vis Moscow or Washington. Brandt says his party "as a whole was on the wrong track" when it sent "every able-bodied man to America only to have them all get the cold shoulder" during the Schmidt era. This last happened in early February when fraction chief Hans-Jochen Vogel was given short shrift in the American capital.

Nonetheless, the SPD wants to focus on the peace issue again next year in addition to the fight against unemployment. The message to the Eastern addressee has already been delivered. Egon Bahr, who accompanied Vogel to Moscow, outlined the step-by-step plan the SPD intends to use when the missile debate is reopened to the Kremlin.

Bahr tried to get the Soviets to budge from their position of refusing to return to the negotiating table unless Western armaments are reduced to the levels prior to the fall of 1983, i.e. prior to the start of the missile deployment.

His argument was that if the Soviets hold to this position, there will be 572 nuclear systems deployed by the West by 1988—as agreed to in the NATO resolution. "And then," Bahr told the Soviets, "you will still be saying 'back to the status quo.' That just does not make sense."

Brandt wants to give new Kremlin chief Konstantin Chernenko enough time to think things over—which is why he will not take advantage of the CPSU general secretary's invitation to visit the Soviet Union until next year.

He feels that this timing makes sense. By then, the Soviets will know who the next American president will be and the SPD would have a chance to get back in the limelight as the party which is urging Chancellor Kohl to keep his promise—not only to have fought for deployment but also for the dismantling of the missiles.

ESTONIAN LEADER ATTACKS INFLUENCE OF FINNISH TV

Helsinki UUSI SUOMI in Finnish 5 Apr 84 p 2

[Commentary by Jyrki Haikonen: "Acid Rain in Estonia?"]

[Text] Estonian party leader Karl Vaino has once again dealt with the effects of the Western communications media on his Soviet republic's life, this time in Moscow's PRAVDA. Since the positions he assumed also indirectly touch on the Finnish communications media, the matter is deserving of our attention.

It is pointless to argue here whether Vaino was speaking in terms of a so-called just cause. Everyone does that in his own country. An understanding of his premises will help us to understand the concerns of our linguistic relatives who live in our neighboring country.

Furthermore, the discussion is associated with wider connections, for example, a hoped-for improvement in communications media relations with market economy and socialist countries. Though small, nevertheless clearly positive signs of this improvement are visible between Finland and Estonia.

UUSI SUOMI foreign department editor Seppo Kuusisto and photographer Seppo Saves recently returned from the other side of the Gulf of Finland. With the assistance of the APN [Novosti Press Agency] the two Seppos had an opportunity to become familiar with Estonian scientific, educational and economic prospects, at least including the University of Tartu, founded in 1632. Kuusisto and Saves' glimpses of Estonia will appear in the newspapers within the next few days.

So that we will indeed get a picture of the Soviet Republic of Estonia from them in Finland.

But Vaino pointed out in PRAVDA how easy it is for foreign radio and television broadcasts to cross the border because of Estonia's geographical position too. "From the West they thrust upon us the charm and loose morals of the bourgeois way of life and deal less respectfully with the difficulties that sometimes arise among us."

So a sort of acid rain drizzles down on them from Northern Estonia's television sets.

Insofar as Vaino is referring to Finnish telecasts, his assertion is to some extent true. We know nothing about the broader handling of Estonia's difficulties, but the restrained charm and loose morals of the bourgeoisie are constantly shown on the television screen, at least according to Finnish films of the 1950's — also on television screens on the other side of the Gulf of Finland.

Insofar as our television commercials annoy Estonian party leaders, we must say that no one ought to take commercials very seriously, earnestly. For years I was in the habit of asking my children with regard to many, many a commercial: Do you believe that?

So the meat displayed in the commercials is to be found on the meat counters of Finland's K, T, S and E stores but, of course, there are other things too. Nor does a Finn obtain a housing loan as easily as the girl at the bank counter smilingly promises in the commercial either. But we know that and the commercial does not really seem exaggerated to us.

It is always a question of the system, of living within the system and of being familiar with the system. The problems also have to be resolved in terms of the system.

Television entertainment and television violence cross the borders between nations everywhere. Here in Finland both party leader Sorsa and party leader Suominen are just as concerned over the spread of violence into Finnish homes. The Estonian party leader is concerned for a slightly different reason, but in time all these gentlemen may have to submit to technology.

Satellites are making the transmission of information on an international scale — the pictorial exporting of steaks, women's breasts and murders — easier all the time. Protection of one's citizens may be only relative: talking and warning people about it. And in addition, Tallinn and Viipuri's telecasts are viewed in a very large part of Finland.

So what would I myself do if I were the Estonian party leader? I would probably try to develop the Soviet republic's economy in the same way the governor of Kymi Province had to speak for his province in Helsinki: light and shade. And that is just what Karl Vaino is doing too.

As far as relations between Finland and the Soviet Republic of Estonia are concerned, in the end it goes without saying that we are moving toward increasing transmission of information and ideas. This is indeed leading to some problems, but sensible discussion has helped before. They will be viewing Finnish television in Estonia in the future as well and vice versa. Any other kind of development would mean failure.

11,466

CSO: 3617/138

RADIO DIRECTOR DEFENDS PROGRAMMING AGAINST ESTONIAN CHARGES

Helsinki UUSI SUOMI in Finnish 5 Apr 84 p 36

[Article: "Director Sakari Kiuru on Estonian Party Leader's Statement: We Design Programs for Finns"]

[Text] Finnish Broadcasting Corporation director Sakari Kiuru did not want to interfere with the criticism of Finland's television program policy leveled by Estonian party leader Karl Vaino.

According to Kiuru, the Finnish Broadcasting Corporation designs programs for the Finnish public. He further stressed the fact that the Finnish Broadcasting Corporation has good relations with the Estonian Broadcasting Corporation and that no friction had arisen in cooperative ventures now being considered.

Editor Jaakko Laakso (Communist) interpreted Vaino's statement as being part of an internal Soviet political-ideological debate and said that it did not contain a direct hint aimed at Finland.

At an interview published in PRAVDA on Tuesday, Estonian party leader Karl Vaino expressed his particular concern over the effects of Western propaganda broadcasts on the country's youth.

In connection with that, Finland's television program policy — without, to be sure, directly mentioning it — received its share of comment too.

Among Finland's television program offerings, primarily commercials and American television series, which they fear furthers the spread of commercial mass culture among young people, have been a source of irritation.

Meat Counters Annoy Them

Estonia's party leaders have expressed concern before over the world view offered on Finnish television. In the midst of the country's food shortage, commercials depicting Finnish stores' overflowing meat counters and shelves groaning with goods that are flooding homes annoy officials.

The dream world of television series with beautiful, wealthy people too is and was even before a hard nut for the party's ideological effort to crack in Estonia, referred to as the Soviet Union's most Western state.

On the Estonian north coast they watch even more Finnish television than Estonia's own programs. Swedish television's Gotland telecasts can also be seen on Latvia's western coast.

Several years ago officials tried to cut down on foreign television program viewing by removing the additional devices needed for television sound from common antennas, but they later abandoned that approach.

According to Finnish interpretations, the position Vaino assumed is to be interpreted as a recommendation to step up the ideological policy effort, especially among young people. This is supported by Vaino's announcement of the establishment of an antipropaganda committee as well as by earlier efforts to cut down on contacts with foreigners.

In editor Jaakko Laakso's opinion, Vaino's interview deals primarily with party leaders' concern over the American commercial way of life's invasion of the lives of young people.

"Actually, this is the same phenomenon over which we Finns also ought to be concerned. Broad sectors of the population here among us agree that we must put an end to the American commercial culture of violence."

He noted that there are also commercials on Estonian television, but that they are chiefly product presentations and do not give a distorted picture of the truth.

According to Laakso, Vaino's interview is connected with an ideological policy debate that has been in progress in the Soviet Union for a long time now. He does not believe that the position Vaino assumed contains any special message aimed at Finland.

"There are other, much more effective ways of giving us such a hint," he said.

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SKDL CHAIRMAN KIVISTO GIVES VIEWS ON UPCOMING CP CONGRESS

Helsinki SUOMEN KUVALEHTI in Finnish 6 Apr 84 pp 12-14

[Article by Anneli Sundberg: "Man in a Bind"]

[Text] "Like a walking monument to frustration. Endless repugnance is evident in every movement," a member of Parliament chum describes Kalevi Kivisto, the chairman of the Finnish People's Democratic League (SKDL) — you remember him — a quiet intellectual who almost gives the impression of being a milquetoast and who grew into a competent, front-rank politician in just a few years time.

He seemed to belong to the permanent ministerial list. In the government he achieved a prestige that was clearly greater than CP (SKP) chairman Jouko Kajanoja's.

In elections he got larger and larger numbers of individual votes. As a presidential candidate, he was very successful in those opinion polls that involved candidates' personal qualities.

He was seen, did well and impressed people.

In a word, he was succeeding.

About a year ago he disappeared from the newspaper headlines. The Communists had tactically maneuvered themselves and him out of the government.

Kivisto would have preferred to see the SKDL stay on in the government, but his opinion was like a voice crying in the wilderness. The Communists were deaf and blind to everything but their own power struggle; one promising course this way or that way when it was not even a real communist course of action.

The fact that the whole movement's prospects are being destroyed just when radical reform movements are raising their heads in different parts of Europe worries Kivisto as much as the fact that he personally has been forced into a bind.

Kivisto is simultaneously without hope and hopeful. Amidst all the election catastrophes he is trying to console people with the fact that SKDL membership has nevertheless increased by 1,000. He cannot point to much of anything else that is good about the SKDL's current situation.

There Is Room, But Is There Capability?

"Here among us the Greens are debating as to whether they are going to participate in the work of Parliament or not. It is a socialist topic of discussion that is as old as the hills. Criticism of the party establishment and of consensus politics is also an old socialist legacy. Even Marx considered autonomy as an alternative to party power. Today both fresh and new-seeming ideas acquire their strength from the socialist ideological legacy. Thus there is room for a radical reform movement. The question is merely whether the SKDL will try it as a sensible channel."

Kivisto has no illusions. He knows that the SKDL does not as things now are attract the groups and young, educated people interested in the radical alternative movements who, according to Kivisto, will constitute the important political power of the future.

"The SKDL cannot attract thinking people in its present state," Kivisto sighed.

"The SKP dispute is a millstone that is dragging the whole movement down with it.

"Thanks, but that's enough for me," Kivisto exclaimed, after going through the SKP's hopeless recent history and showing that it was possible that the party congress to be held at the end of May would change nothing.

Not having the power to do anything is disheartening.

"I don't know whether it can be called bitterness, but, when you think that the SKDL ought to have good chances of succeeding as an open reform party and that a chronic organizational war is preventing that, you often wonder what you're really using your life for in this way."

SKP Congress — a Milestone

There are about 30,000 socialists in the SKDL. Kivisto, however, claims that he has never imagined or hoped that the socialists would break away and form their own party.

On the other hand, in his opinion they are beginning to have enough of SKP hazing. Their cup is full.

"This course of action cannot go on. If the party congress is unable to settle the SKP situation, we'll have to reevaluate our own situation."

For many Communists the SKDL is only an election machine whose fate is not so important.

"There are exactly two sentences devoted to the SKDL in the SKP position paper," Kivisto asserted — dryly.

His personal discussion partner in the SKP is first secretary Arvo Aalto. There has not been overly much cooperation with chairman Jouko Kajanoja since the bosses removed themselves from the government.

"Discussions with Aalto have, in my opinion, been productive. I feel I have been listened to. It seems to us here in the SKDL that Kajanoja would rather preserve contacts with the party's minority faction than with the SKDL."

Is Kajanoja's reelection forcing SKDL socialists to consider leaving?

"Which individuals head the party is in itself not a decisive factor, rather which power faction controls the SKP. If it's the Stalinists, there's just no chance of continuing to cooperate."

Kivisto nevertheless believes that the SKP Stalinists will have to reevaluate their position at the end of May rather than the SKDL.

"I would hope that the SKP moderates and the socialists would together make of the SKDL a modern Marxist party. I don't feel that dividing the SKDL-SKP down the middle is desirable."

SDP's Walls Too Wide

When both Kalevi Sorsa and Kalevi Kivisto talk of a future society that will build an autonomous kind of socialism, one would think that they are suited to be members of the same party. For Kivisto, however, that still seems to be too big a step to the Right.

"In the SDP [Social Democratic Party] everyone is in a conciliatory mood, which does not appeal to idealists. In my opinion, the nation needs a political party that is to the Left of the SDP. If we think, for example, of the strike penalty law, it seems clear that leftist Social Democrat voices have been left crying in the wilderness. I'm afraid the socialist movement in the SDP may suffocate."

Obviously, however, Kivisto would rather suffocate with the Communists than with the Social Democrats if he has to suffocate at all.

He could perhaps personally save his high position if the situation should get too tight. A governor's seat will be vacant in Kivisto's former home province and they have immediately begun to publicly offer it to Kivisto — governor's posts have always been regarded as suitable for tired and disappointed politicians.

Kivisto does not want to hear talk of the governor's post, although, on the other hand, he does not want "to hang onto politics with tooth and nail" either.

"I have no specific plan to leave, here and now, but it's hardly a surprise to anyone now that such ideas have crossed my mind. It's hard for me to imagine that I would spend the rest of my life in politics."

Kivisto has a position at the University of Jyväskylä. He is an educational sociology instructor and he does not think it impossible that he may go back to precisely a teaching career. During his ministerial term, which lasted

for over 6 years, he kept in touch with his field by, for example, updating his old textbook.

On the other hand, Kivisto is clearly interested in and tempted by opportunities for putting together a new kind of political party after the SKP congress.

No return to the government, to being a minister. Although the composition of the government should be reexamined after the local elections, the SKDL is hardly the most sought-after government partner.

In Kivisto's opinion, the government is a lifeless pocket calculator government. Finance Minister Ahti Pekkala equitably pruned expenditures in all sectors and is still proud of the fact, which annoys Kivisto no end.

In Kivisto's opinion, there should be soul in politics, the glow of ideas.

"What the hell kind of politics is there in using a pocket calculator?

"The government is furiously bickering over the material interests of more or less imaginary support groups — the KEPU [Center Party] is defending the rural sector and the SDP southern professional workers — and the poor political supporter doesn't notice any change in his living standard."

Kivisto is, for example, certain that SKDL supporters are more interested in what chances they have of exerting their influence in a socialist Finland than of obtaining an increase of a couple of percent in child subsidies.

SKDL supporters might also be interested in what citizens' chances of exerting their influence in terms of present-day socialist models are.

This is indeed one topic of discussion on which, in Kivisto's opinion, they ought to at long last inform themselves in the communist and socialist movements, frankly take a look at what should be endorsed and what should not in the current socialist system.

"A party that does not criticize itself is threatened with a heatstroke."

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BRIEFS

CP POLITBURO VISIT TO POLAND--Headed by chairman Jouko Kajanoja, the SKP [Finnish Communist Party] delegation that was invited by the Polish United Workers Party (PZPR) is leaving today, Thursday, to familiarize itself with the work of the PZPR. The meeting of the two parties will be the first since the declaration of martial law. During the visit they will discuss the international situation and cooperation between our two parties. In addition to the chairman, the delegation includes Central Committee member Kalevi Rissanen, Secretariat member Olavi Poikolainen and Central Committee worker Matti Hokkanen. [Text] [Helsinki UUSI SUOMI in Finnish 5 Apr 84 p 3] 11466

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REALITY OF SOVIET MILITARY THREAT TO NATO QUESTIONED

Hamburg DER SPIEGEL in German 23 Apr 84 pp 110-111

[Article by Christian Krause, retired brigadier general, formerly in charge of analysis of NATO Central Europe defense planning in the Federal Ministry of Defense: "Are the Russians Threatening Us?"]

[Text] It is obvious that states or alliances, in the interest of their security, examine what war situations are possible and what consequences must be drawn from this for the planning of armed forces and strategy. NATO, too, undertakes such threat analyses. What is striking about them is the fact that these threat analyses have for many years been leading to alarming results.

NATO constantly sees itself on the verge of a war. It believes that it must undertake great military efforts to secure peace and freedom in Western Europe. In clear contrast to this is the fact that the relations between East and West are relatively normal, even if not free of tensions. In no case, however, do they provide a basis for believing that in Europe a war could break out unexpectedly. A political reason for war, too, is not recognizable, since the fundamental political questions of Europe, which resulted from the consequences of the war, were settled for the time being. New ones have not shown up.

The threat analyses of NATO suffer quite obviously from two deficiencies. First of all, they proceed from a picture of the political situation that was developed already more than 30 years ago and today is no longer tenable.

The second deficiency consists in the fact that NATO does not come before the public with a well-founded estimate of the situation in order to justify its threat analysis. In so doing, it is apparently left to the reader to draw military conclusions from the depicted differences in numbers. But the conclusions result convincingly from the numbers themselves.

A military estimate of the situation, on the other hand, would have to admit that any attack by the Warsaw Pact against NATO entails a high risk, no matter how great the differences in the statistics.

The picture of the political situation held by NATO is based on the assumption that the decision to conquer Western Europe has long been made by the Warsaw Pact. It is merely waiting for a favorable opportunity to carry out this decision. This moment will have come when the Warsaw Pact has achieved military

superiority. To this end it is arming while neglecting consumer needs. In the meantime it attempts to lull the NATO states into security or to instill fear in them in order for them not to take any countermeasures. It is also an important goal to separate Western Europe from the United States.

These assumptions correspond to the analysis which American experts developed in connection with the surprise attack of North Korean troops on South Korea in 1950. They were merely, by way of analogy, transferred to European conditions. The Korean War was a watershed in the development of NATO. It had the consequence that--from the originally agreed-upon form of a classic assistance pact--it was transformed into a military alliance under American leadership, an alliance whose major purpose it was to maintain a strong army, capable of keeping the communists in check.

Although it has long become clear that the North Korean surprise attack was in no way connected with Europe, the military organization of NATO was retained to this day. Large and militarily highly-qualified planning staffs are engaged in conceiving all possible war scenarios for which NATO should be prepared. A conventional large-scale attack of the troops of the Warsaw Pact between the Baltic Sea and the Danube, with the objective of taking over the entire territory of the Federal Republic or even to advance to the Atlantic, is regarded as the most probable scenario. But they are dealing with pure speculations, for there is no reliable information that the East has plans of attack, not to mention what they call for.

In other words, everything depends on what political pretenses are given to the military planners of NATO. These pretenses have not been changed for more than 30 years. If the foreign ministers of NATO were forced today to develop a new basis for planning, they could hardly still refer to the Korea-shock, for too many things have changed in Europe since that time. Thus, for example, the communism of Soviet stamp has lost all power of attraction in Western Europe.

The war aim of the North Koreans in 1950 was clearly the reunification of Korea under communist aegis. What war aim could the Soviets have in Europe? It cannot be the desire for the acquisition of land, for they possess more land than they can manage.

The hope for an increase in productive power, too, is eliminated. For under a communist system conditions would develop in Western Europe as in the East Bloc. Moreover, the CEMA would lose an indispensable trading partner and financier. The attempt to create a communist order in Western Europe could be accomplished only with police state methods. If the Soviets had this in mind, they would have to invest all of their energy in this task and neglect the development of their own country to the point of self-surrender. Is that realistic?

The decisive question for us is why NATO does not take cognizance of these changes, but unflinchingly holds on to the Korea-mentality. There is only one answer to this question: Because with a new political planning basis the armed forces structure and strategy of NATO would have to be fundamentally changed. However, every politician hesitates to shake the foundation pillars of the Western Alliance. Politically NATO finds itself in a state of suspension, which cannot be maintained forever.

Because the politicians cannot make up their mind, the military have jumped into the gap. Wherever political arguments are no longer capable of carrying the load, they are replaced by military ones. In this manner NATO is being increasingly militarized. Some examples for this. NATO asserts:

--The Warsaw Pact possesses more armed forces than it needs for defense. This assertion serves to harden the politically not demonstrable intention to attack through a military indicium. In actual fact, no NATO planner has ever thought about the defense of the Warsaw Pact area.

--The Warsaw Pact is militarily superior. This assertion is an indication of the fact that the Pact can launch an attack. The intention to attack is corroborated through this. But what does it mean [that] it can attack? What risk does it assume, what calculations can it make with respect to prospects for success? This remains unclarified.

--The military superiority of the Warsaw Pact is constantly growing. This assertion is supposed to suggest that no time must be lost for new armament efforts to get underway. Politicians who accept this voluntarily become dependent on military power comparisons. They surrender to the egoisms of bureaucratic experts and renounce the primacy of politics in security questions.

That military arguments today must replace political analysis is indicative of how critical the situation of NATO is.

The question remains, inspite of all doubts in regard to the threat analysis of NATO, what could happen if deterrence fails, if in other words, against all reason, the Warsaw Pact should attack NATO.

It is no accident that, as a matter of principle, NATO speaks of an attack by the "Warsaw Pact" and not the Soviet Union, although it is clear that none of the so-called people's democracies is interested in a war. The reason lies in the fact that the Soviet Union does not maintain sufficient land forces in Central Europe to risk an attack against NATO. The 26 Soviet divisions in Central Europe suffice only to take care of occupation tasks and to secure a forward defense of the Warsaw Pact, should it be attacked.

Only if one combines the Soviet divisions with those of the national people's armies, does an approximate balance of combat capability come into being. However, superiority is simply out of the question. The stronger equipment with tanks, seen from a military standpoint, is no advantage against a defender amply equipped with anti-tank weapons such as NATO.

NATO describes the 26 Soviet divisions and the 31 divisions of the national people's armies, which are stationed in Central Europe, as the "First Strategic Echelon" of the Warsaw Pact, which in the case of war is supposed to conduct the first attack against NATO. It is necessary to know that almost half of the non-Soviet divisions are not present during peacetime, but first have to be

made combat-ready in the course of a mobilization. The material of these divisions is partly obsolete, they are still equipped with battle tanks from the 1950's. The reliability of the draftees of these armies must be called into question.

We must add the fact that the governments of the East Bloc states have gained greater influence on the utilization of their own armed forces. Should the Soviet Union intend to commit the First Strategic Echelon to an attack against NATO, it would have to obtain the political agreement of its allies. The success is uncertain.

The 26 Soviet divisions, too, are not absolutely combat-ready. They consist, to the extent of 80 percent, of draftees serving for a short time. Year after year approximately 200,000 trained soldiers are exchanged for recruits. In practical terms, these divisions are at a satisfactory training level only twice a year for a short time. Not taken into consideration in the comparison of forces is the fact that at least 3 of the Soviet divisions, in the case of an attack, would have to remain in Poland and in the Czechoslovak Socialist Republic to secure the transport routes and the logistical base.

Of the 57 divisions of the First Strategic Echelon, a maximum of 40 are fully combat-ready. That is too little for an attack. At any rate, hardly anyone conceives of the avantguard of the world revolution, which is supposed to conquer Europe all the way to the Atlantic, as an army which is burdened with many problems, is nationally heterogeneous, and at best equivalent to NATO in terms of numbers.

According to the threat analysis of NATO, the First Strategic Echelon is followed in the attack--approximately a week later--by a second. This, it is said, is supposed to involve about 30 Soviet divisions, which are stationed in the 3 Western military districts of the Soviet Union.

If the Warsaw Pact attacks with two strategic echelons in sequence, the following result is likely to occur: The first echelon will be repulsed by NATO. The second echelon, which is not as strong and can already be battled during its advance, would have even fewer prospects of being successful against the NATO defense, which in the meantime would be well-coordinated and completed.

The attack in two echelons expected by NATO violates a fundamental principle of military leadership, namely to combine all forces for the decision. The staggered attack divides the forces into two packages and allows NATO to defeat them in installments. In short, the entire NATO force stands against a part of that of the Warsaw Pact.

The Soviet general staff is likely to have sufficient military judgment that it recognizes the weakness of such a procedure. In a war of aggression, the crucial question is who wins the first battle. The initial success, as a rule, becomes the decisive element for the further course of a campaign. In other words, should the Soviet Union embark upon a large strategic attack on NATO, it would throw its best and most reliable divisions into the first battle and not the wobblers of the national people's armies.

If the Warsaw Pact really intended to attack, it would have to station considerably more Soviet troops in Central Europe than it now has there. Such a stationing would require time and could not be carried out from one day to the next.

Some experts assert that the Soviet Union is in a position, in the case of an attack on Europe, to follow the Second Echelon with a third or fourth from the depths of the Russian expanse. NATO, in other words, would not have a chance to withstand the assault for long. This assertion requires a differentiation.

There are 383 million people living in the Warsaw Pact, and 625 million in NATO. In short, NATO is ahead by about 250 million people. Conventional strength is a variable of personal resources. Since the population of NATO exceeds that of the states of the Warsaw Pact by approximately 62 percent, it is an easy thing for NATO to create conventional balance with the Pact. In the case of equal utilization of the personnel potential, NATO could even attain a considerable superiority over the Warsaw Pact. Seen differently: The Warsaw Pact must utilize its conscription power than NATO if it wants to have as many soldiers under arms. According to the most recent figures, the personnel strength is about equal. In the case of the land forces in Europe, in connection with which on the side of the Warsaw Pact the Kola Peninsula and Transcaucasia are also included in Europe, NATO even has a slight advantage (1.03:1).

From this one can conclude that the Warsaw Pact can set up a third and fourth strategic echelon only if it carries out a total mobilization. The Soviet Union by no means has the enormous reserves that would be necessary to produce an overwhelming conventional superiority over NATO. The Soviets rather have to economize the use of manpower.

In some analyses the view is advocated that, as a compact plane state, possesses the advantage of the "interior line". That means that it can move its forces around as it chooses and always be strong militarily where it is necessary. This advantage, however, can be utilized only if the distances are not too great and when a well-developed traffic system exists. Both factors do not apply in the case of the Soviet Union.

In the most recent discussions of security policy, NATO has clearly conceded the advantage to military criteria over security policy criteria. This was facilitated by the fact that policy is hesitating with respect to taking the political development into account in its conception of the situation. It is practically persisting in the viewpoint which it occupied in the 1950's. This situation leads to the fact that the credibility of the NATO conception is decreasing.

We must weigh which evil is smaller: The danger to NATO resulting from the demand for reforms of strategy and force structure or the danger to NATO resulting from diminishing credibility. It is difficult to predict what the consequences would be of putting the brakes on the inherent dynamic of the NATO bureaucrats and achieving a new political consensus in regard to the threat. But it is certain that diminishing credibility in the long run will force reforms.

LIBERALS' DEFENSE SPOKESMAN ON PROPOSALS FOR LONG-RANGE PLAN

Copenhagen BERLINGSKE TIDENDE in Danish 27 Apr 84 p 11

[Article by Liberal Defense Committee chairman H. H. Mathiesen, LL.B.]

[Text] Negotiations on a new defense act have begun and in today's chronicle the military and political background for the negotiations between the government and the Social Democrats is outlined.

A few years ago an English paper printed an article on Denmark's participation in European cooperation that used the expression, "those footdragging Danes" (a free translation might be "those hesitant Danes"--or to use a Danish quotation: "He plodded along, dragging his feet"). These phrases come to mind in writing on the following topic. One can say of Danes that we do not have the Latin enthusiasm for words and concepts, that basically we are stolid farmers and tradesmen but that deep inside we are well aware that we belong to West Europe, although we don't make sweeping gestures about it.

Whether all of us have completely grasped EC's peacekeeping significance and are too "unenthusiastic" about cooperation there and in NATO is another question. We are a little slow (we drag our feet).

The tradition of neutrality from 1864 on and the Nordic dream are still alive.

The last Danish defense act was passed in 1981 after a lot of bickering. Now we are going to get a new one and Defense Minister Hans Engell presented the government's plan on 29 March 1984, about which we will say more later on. First it would be useful to recall a few facts.

1. Everyone would probably agree that war should be eliminated and banned and its instigators should be punished severely. The same thing applies to "civilian" crimes of violence. The latter acts come under national penal codes and the laws can be enforced by the national police. With respect to the former, many put their hopes in the United Nations. Unfortunately the international organization has even less opportunity than national

governments when it comes to enforcing matters under its jurisdiction. The many member nations pass a lot of lovely resolutions, but as long as there is no international legislation and a very strong international military force that can be used anywhere there is a conflict brewing, all the body can produce is words, unfortunately. The Danish police have something of the same problem on a much smaller scale.

2. Denmark is in a very strategic position. We cannot resign from the world. In 1949 we joined NATO when we had experienced that we could not get along on our own, that we could not count on a Nordic solution and that the voters would rather take sides in advance with the democracies than with the dictatorship east of the Iron Curtain.

NATO's primary idea was and still is that of a defense treaty with joint responsibility. The treaty nations were to set up a military force aimed at deterring a possible attacker from starting a war of the same kind as the aggressive war Nazi Germany launched in 1939 against divided and unprepared nations. The main purpose was political and of a peacekeeping nature.

Formerly occupied nations such as Denmark received arms assistance from the United States and Canada. From 1949 until the late 1960's Denmark received at no cost at all the aid shown in the chart below--in addition to support for military training:

<u>Item</u>	<u>Number</u>
Hand guns	60,000
Howitzers and canons	350
Anti-aircraft artillery	400
Tanks	330
Vehicles (over)	6,000
Frigates	1
Corvettes	4
Minelayers	4
Motor torpedo boats	9
Minesweepers	10
Surveillance vessels	4
F-84, F-86, F-100 and F-104 squadrons	12 1/2
NIKE squadrons	4
HAWK squadrons	4

Billions of kroner were involved, but most of the materiel is or is about to become worn out. In the beginning of the 1960's we were told that it was a condition for continued assistance that we ourselves appropriate funds in the national budget for maintenance and renewal. We got off to a good start with around 15 percent of the national budget going for defense. In subsequent defense acts this contribution has declined to around half that. Defense made savings while other items had money to throw around. That is why it is hypocritical to say that at a time when all of us have to save, the armed forces must also bear their share of cuts. They have already done

so. Before the next defense agreement it is up to the politicians to tell the armed forces what is really expected of them. As time goes by the military can carry out only half the tasks assigned to it, including many civilian jobs (sea rescue service, fishing inspection, highway cleanup in severe snowstorms and so forth). In peacetime, guaranteeing energy supplies from the North Sea is left to the police--or to our allies, such as Holland.

Here are a few key figures for individual branches from 1965 to 1984:

The army: Peacetime forces have declined from around 32,000 to around 18,000, leading to a deterioration of both training and manpower. The defense of Jutland has been given a higher priority than the defense of Sjaelland. Regular personnel increased from around 3,000 to around 8,000, while at the same time draftee service (measured in man-years) fell from 23,000 to barely 7,000.

The navy: Combat units (vessels with military usefulness) have declined in number, regular personnel have expanded by about a third and draftee man-years are down to a quarter of the figure in 1965. Once one of the world's strongest fleets, today it has a total peacetime force of barely 6,000 and a wartime force of under 10,000 men with units that are partly worn-out.

The air force: The number of combat planes fell from 128 to 96 and will soon decline to 80 unless something is done. Regular personnel have risen only slightly in number and draftee man-years have followed the pattern in the other branches.

We are quite dependent on reinforcements from our allies if the worst should happen or in a real crisis when the important thing is to avert a war. This would call for us along with the West Germans to hold out long enough, as shown below.

SF [Socialist People's Party] has just withdrawn from parliamentary work on civil defense. Here we will just comment that we should have a more efficient civil defense, but that--aside from peacetime tasks--hopefully this is secondary in relation to military defense, which should prevent the occurrence of war in cooperation with our allies. But if the worst should happen we should not come into the same situation as France was in in 1940 when the flood of civilian refugees contributed to the general chaos.

The Radical Liberals as neoneutralists (they are old neutralists and resemble the French aristocrats after 1815 who had learned nothing and forgotten nothing) have put a lot of stress on total defense. This is simply a combination of military defense, wise diplomacy, civil defense, civil preparedness and an effective police force. We should have it all now, but we should not assume in advance that it will all break down and be forced to use the already limited military funding to make up for the consequences of what a too-restricted military defense had become too weak to avert. That would be putting the cart before the horse.

The Social Democratic Party is a pro-NATO party. Never mind the current views on the double decision, defense policy spokesman Knud Damgaard's immediate response to the defense minister's outline for the next defense act was something about technology around the year 2000, cf. Major Graabaek's articles in AKTUELT and elsewhere. This might look like postponing the present in order to study future contingencies, which is not always wise.

Both VS [Left-Socialist Party] and SF are asking a lot of questions in Folketing; on 7 March 1984 alone, six inquiries were directed to the defense minister and one to the prime minister, all about NATO cooperation. One cannot help having a sneaking suspicion that these anti-NATO parties want to waste the time of the Defense Ministry on preparing responses and that they want more publicity about NATO's justifiably secret plans concerning what the alliance would do if the Soviet Union runs amok.

After all Danish parties cannot be directly opposed to Denmark and its allies making an effort to guarantee continued freedom of speech in a democratic parliament.

The Social Democrats are more cautious, to quote BERLINGSKE TIDENDE's first editorial on 31 March 1984, but the party is also still a responsible one.

The plan the government and the defense minister presented for the next defense act was very restrained and cautious. Among other things it called for increasing the number of draftees who are called up (today this is at most a third of those who are eligible to serve for the highest draftee pay in the world), an increase in the duration of conscription service from 9 to 12 months for combat troops and engineer troops--all voluntarily, to the extent this is possible--and a possibility to pay different wage rates. In addition the plan calls for a number of materiel acquisitions, including anti-tank weapons, low-level air defense weapons, tanks and vehicles for the army, a new flexible type of ship, new submarines and naval helicopters for the navy and more F-16 planes and more I-Hawk squadrons for the air force. The plan also calls for a 5-year agreement and modest budget increases.

First a military comment. The Centurion tanks (Sjaelland's defense) are outdated and we lack sufficient defense funds to pay for our own troops' survival and the protection of air bases. With regard to submarines, Denmark and West Germany are supposed to have a total of 30 for the Baltic. The 24 German subs exist while Denmark can actually come up with only two really operative oceangoing subs [portion of text omitted] another three. We are lagging behind. The lifetime of the old F-104 planes cannot be extended indefinitely and we cannot both deter attack and in the worst case guarantee the safe arrival of allied reinforcements with only 80 combat planes--then our allies in self-defense will choose other solutions for defending access routes to the Baltic and the northern continent without a joint Danish influence.

The political commentary has opened up somewhat recently. In the sphere of foreign policy we cannot always get a free ride and in the area of domestic policy it seems sad that the Social Democrats pledge allegiance to NATO and at the same time act in a very "footdragging" way. Not many constructive solution models will come from that quarter. One cannot replace the fleet in a country like Denmark with trucks that drive around carrying missiles, one cannot refer everything to 3-year committees and one cannot entirely abandon the popular element involved in calling up more draftees. Fortunately there are some signs of accommodation by the big opposition party. But this time they have begun with a "zero" solution as the basis for negotiation instead of demanding more cuts and there is some sympathy for certain concrete ideas. Security policy cannot be implemented in Denmark without the support of the Social Democrats and it would be undesirable to do so. I do not wish to meddle in internal conflicts, I simply want to express a pious hope for unity.

The government's move was very restrained. It is to be hoped that the responsible opposition will conduct itself in the same way. We cannot live in a democracy--for better and for worse, most for better--if we bicker over the country's external security at the expense of our international credibility.

6578

CSO: 3613/145

REORIENTATION OF CAREER OFFICER TRAINING PLANNED

Focus on Service Needs

Munich SUEDEDEUTSCHE ZEITUNG in German 27 Mar 84 p 4

[Article by Kurt Kister: "New Plans for Armed Forces Academies: Curriculum to Focus More on Service Needs"]

[Text] Gummersbach, 26 Mar--The Defense Ministry's plans for a reform of officer training at the armed forces academies in Munich and Hamburg are apparently in the final stages. At a conference of the Study Group for Military and Social Sciences at Gummersbach, it was learned that the Defense Ministry has in the past several weeks informed academy teachers at the two armed forces academies about the planned changes.

The study requirement for extended-service, fixed-term officers of the regular army will remain unchanged. But the proposal calls for delaying the time when army officers may first matriculate. This reflects one of Defense Minister Worner's chief criticisms of the present program of studies: that officer candidates are now allowed to begin their studies after having served little more than 1 year. The new proposals would allow 70 percent of the army officers to begin studies only after their third year of service. The other 30 percent, primarily soldiers from technical units, could begin after their second year of service. For air force and navy personnel, the times of first matriculation are said to remain unchanged.

There is also provision for the introduction of a completely new course of study, temporarily called "civics," comprised of the subject areas of history, political science, jurisprudence and economics. According to the announced plan, Hardthoehe intends to make this course of study accessible only to career officers; fixed-term officers will not be able to register for civics. The teaching personnel for the new course of study is to come from the pedagogy faculty already working at the academies and from the so-called "education and social-science guidance program," which is now in charge of political education of students from all subject areas. Both pedagogy and guidance studies are to be considerably reduced in favor of civics. Plans also call for the establishment of a management program at the Hamburg academy.

On the whole, study at the military academies is to focus largely on the interests of the armed forces, an emphasis affecting even the structuring of

course content. In a conversation with professors of the Hamburg academy, as was learned in Gummersbach, Inspector General Wolfgang Altenburg also announced that the introduction of compulsory wearing of uniforms by the students at the academies was under consideration. Moreover, a military flag is to be assigned to the academies, as is done for the regular units.

Military Tradition, Doctrine Stressed

Munich SUEDEDEUTSCHE ZEITUNG in German 27 Mar 84 p 1

[Article by Kurt Kister: "Back to the Old Models: Academy Program for Officers to Stress Conservative Military Ideals"]

[Text] In the last one and one-half decades, there have been few topics in the inner life of the army about which soldiers, academics and some politicians have disputed so long and uncompromisingly as that of obligatory academy study for officers. One of these participants was the CDU politician Manfred Woerner, who in the late 1970s vehemently attacked the concept, then wholly new in the history of the German military. The idea of the pragmatic officer who, by reason of his social science orientation, was nevertheless critical and dissociated from tradition--the officer that the armed forces academies were supposed to produce according to the reform concept of the first social-liberal government--satisfied neither Woerner's ideas nor the expectations of the more conservative part of the military elite. To their mind, the academic training of officers--if at all necessary--should be primarily tailored to the needs of the military. Thus, Woerner once pleaded for a particular program of study in "military sciences" and for a strong so-called "professional relevance" of the other academic disciplines excluded at the military academies.

If one takes a look at the recently announced principles for reorganizing the officers' study program, one can easily recognize that they implement this body of ideas that has been around for years--especially since they appear, in part literally, in a Hardthoehe communication. What has been announced so far about the creation of the new program of "civics" studies reminds one more of a counterreform than a reorganization. The new program of studies not only does away with having essentially the same requirements for all students but, since it is available only to career officers, it will in a few years function as a career filter: that is to say, whoever has not gone through it will presumably have less chance of being promoted. In content as well, this program of study--with its planned emphasis on military history, military security policy and similar topics--comes close to former opposition politician Woerner's "military sciences." The proposed general uniform requirement for students and the corps flag for the academies justifies such associations all the more.

Indeed, one should critically examine not only the civics but also the intended reduction of the education and social-sciences guidance program. It was precisely through these studies that young officers were to learn the role of a conscript army in a democracy. Such studies were also intended to help break down the peculiar professional image present in no small portion of the officer corps and thereby help prevent the associated tendency for such officers to cut themselves off from society.

But now, since Reserve Lieutenant Colonels Manfred Woerner and Peter-Kurt Wuerzbach--that is to say, the political leaders of Hardthoehe--are adherents of a traditional officer image, they are especially uncomfortable with the results of study in general and of guidance studies in particular. Thus, the reorganization of studies is not so much a matter of instituting this or that needed reform but more a matter of asserting a model that suits the 1960s more than the 1990s.

9992

CS0: 3620/261

EFFECT OF 1984 MILITARY BUDGET ON AIR FORCE

The Hague ONS LEGER in Dutch Mar 84 pp 27-28

[Article by R. Scholten: "The Royal Air Force and the Defense Memorandum 1984"; passages enclosed in slantlines. printed in italics]

[Text] NATO and the Warsaw Pact

NATO has approximately 2,700 fighter planes in Europe. A number which can be quickly strengthened by 1,900 aircraft from the United States and Canada. However, a very large amount of air transportation is necessary to fly over the personnel and equipment for the auxiliary ground services. The Warsaw Pact has a superior force of more than 7,000 fighter planes aimed at the European NATO area, about 4,000 of which are aimed at the Central Sector. Every year, the Warsaw Pact replaces large numbers of old planes with new ones. The most characteristic result is that their attacking force has substantially increased. The newest airplanes can carry twice the weapons load, they are faster and their range is three times greater than that of their predecessors. As they can also operate at lower altitudes they are less vulnerable to NATO's anti-aircraft defense.

Ever more airplanes are able to carry out their mission under all weather conditions, by day and by night, and gradually electronic warfare [EOV] equipment is becoming standard equipment on Warsaw Pact airplanes. Large parts of Europe, including all the air bases and other installations of the Royal Air Force are located within reach of the Pact's bombers and fighters. The anti-aircraft system of the Warsaw Pact has also been continually modernized. In part due to a new chain of radar stations, a wide variety of fixed and mobile air defense systems with guided arms and guns, combined with large numbers of air defense fighters, the air space above and behind the advancing land forces of the Pact -- if it ever were to come to that -- would be very strongly defended.

Tasks of the Royal Air Force

The main tasks are: air support of land forces and naval forces on the North Sea and in the Channel; fighting for and maintaining air superiority; providing a contribution to air defense with guided weapons.

Other tasks, which are carried out with aircraft (among others with helicopters) are:

- provide transportation facilities;
- maritime and support operations in the area of the Netherlands Antilles;
- provide facilities for observation and liaison;
- contribute to the Search and Rescue Service.

The major part of the Royal Forces are under international (NATO) command even in times of peace. That is necessary, together with a high level of readiness, in order to be able to react very quickly if needed. The fact is that it must be possible for air forces to be put into service during the very first minutes of a conflict.

The Image of the Royal Air Force

The image of the Royal Air Force was determined to a substantial degree by the policy outlined in the 1974 Defense Memorandum. That policy was based on the view that there was no money to pursue all the tasks. A sound analysis of the threat and a need for resources based on it were not given. Consequently, the decisions being made were rather arbitrary and produced the necessary disturbances within NATO. Actually, we have forgotten all of that again. But it is a good thing to pull some things back out of oblivion. The most important changes the Royal Air Force had to undergo were:

- instead of 112 new airplanes, only 102 would be purchased to replace the Starfighter F-104G;
- 4 Nike and 3 Hawk squadrons were withdrawn from the air defense belt in the FRG. The Nike squadrons were eliminated, the Hawks were used for the defense of air bases in the Netherlands;
- no EOY was purchased for the existing airplanes;
- the number of flying hours -- which already failed to meet NATO standards -- was reduced;
- the number of pilots per squadron was reduced by two, as a result of which the pilot strength (the proportion of pilots to airplanes) declined;
- personnel numbers were reduced by 25 percent.

With this as background knowledge we will look at the main plans in the 1984 Defense Memorandum "Continuity and Renewal."

Plans

The most important investment plans are: continuation of airplane replacement; the introduction of the Patriot air defense system as replacement for the Nike; and the operational and logistic maintenance of the Hawk system. These and other equipment plans had to be ranked differently because of problems with the RSV [expansion unknown] corporation. For the period up to and including 1987, the Royal Air Force had to contribute 120 million guilders to the Royal Navy budget in order to make possible advanced Navy orders for the shipyard. The most grave consequence was that the purchase of the Patriot had to be postponed for a whole year, until 1987.

The /replacement of the fighter/ by a single type, the F-16, is in full operation. By next year the last of the F-104 squadrons will be equipped with this modern aircraft. Next it will be the turn of the NF-5 squadrons, the modernization of which will be completed in 1991.

A total of 243 airplanes will then be replaced by only 213 F-16's, hence 30 aircraft less! This smaller number is justified in part by the advantages of standardization with a single airplane type; for the remainder it is a matter of retrenchments. Due to time requirements, the F-16's will have to be modified during the planning period and provided with new equipment, such as electronic interference equipment, an improved NATO airplane identification system, which actually must still be developed, reconnaissance equipment, etcetera.

By the end of the eighties, the 12 or 13 year old Fokker Friendship F-27 transport planes will be replaced. It will be high time by then, given that they are already barely able to meet the transportation needs. The air force is thinking about a mixed transport fleet of eight aircraft, five medium weight and six light weight transport helicopters, including the helicopters for the Search and Rescue Service. As mentioned earlier, the number of flying hours was limited by the 1974 Defense Memorandum. People rightly realized that this was bad, but thought that they would be able to live on the experience and good name of the old pilots for a while. With an eye on the rejuvenation of the flying personnel it was promised that this measure would be temporary. Now -- 10 years later -- it appears that this promise could not be kept. The measure is even being maintained. The average number of flying hours today is approximately 160. It is mentioned that plans call for returning to the minimum of 180 hours required by NATO by 1985. Evidently, a firmer promise is not possible.

A similar measure in the 1974 Defense Memorandum involved the reduction of the number of pilots by two pilots per squadron. The 1984 Defense Memorandum does not alter this for the time being. As a result, in times of war and the then to be expected continuous use of airplanes, they are banking too much on the endurance of the pilots. The load could, according to the Memorandum, be partly absorbed by pilots stationed with training units and staffs. Fortunately, the low point (a few years ago) is in the past. Today, training in the United States produces enough pilots to look to the future with a little more confidence.

Air Defense

Major changes are taking place in air defense with guided weapons. During the period 1987-1990, the technically and operationally obsolete nuclear Nike weapons systems will be replaced with the conventional Patriot. This modern and relatively easy to maintain system of American make is the only one to qualify as replacement. Anticipating the introduction (intended for 1986 but postponed until 1987), last year a Nike squadron from the air defense belt in the FRG was withdrawn and eliminated, and another one will be this year. The remainder (2 squadrons) will be replaced by the Patriot. Hence air defense will be weakened for a number of years. One should say: furthered weakened! As a matter of fact, four Nike squadrons had already been eliminated earlier!

Moreover, the government has made the purchase of the Patriot dependent on sufficient compensatory orders by the Americans in Dutch industry.

When the process is completed our share of the air defense will consist of four Patriot squadrons and four Hawk squadrons in a mixed deployment.

The air defense of important objects in the Netherlands is also gradually improving. Now there are already seven squadrons for the defense of air bases. They each consist of three Hawks (from the weapons withdrawn from the FRG at the time) and two Fly Catcher radar fire control systems, each with three 40L70 guns attached to them. In the future, guided weapons will be coupled to them. The Hawks thus released from the air bases and also from the FRG* will be used, among other things, to extend the air defense belt in the FRG to the Netherlands, which is a NATO requirement, but also for the defense of sea ports and airports. Patriots will also be used for this. This way, by the early nineties a significant part of our territory will (finally) be assured of a defense against air attacks.

What applies to the two other parts of the armed forces also applies to the Royal Air Force: slimmed down by the 1974 Memorandum and the following retrenchments, it is making an effort to continue to make a credible contribution to the maintenance of peace and the defense of freedom. It is not a simple task, given the power of relationships outlined at the beginning of this article and the not amply allocated financial resources.

* There are still eight Hawk squadrons in the FRG, to which another four will be added in time.

Despite high interest rates private persons took up more credits during the second half of the year. Decisive for this fact was the revival of the residential construction activity as well as strengthening of the readiness to invest in the industrial field. On the other hand, the credit need of the public budgets clearly declined because receipts from taxes and social security contributions and the improved economic situation rose at an accelerated rate and the increase in expenditures was slowed down.

Since cash management became more expensive with the increase in money market interest rates, the holdings of cash and sight deposits (M1) were not further increased. There was only a small increase in deposits to savings accounts with legal periods of notice. Instead bonds with fixed rates of interest were increasingly purchased and money was directed to accounts with longer-term commitment. Overall, monetary expansion declined so markedly that the central bank money supply, which had been far above the upper target line in early summer, returned to below the target line at the end of the year. Thus the money supply from the fourth quarter of 1982 to the fourth quarter of 1983 rose by about the amount targeted by the Federal Bank, but the development was very unsteady.

The Federal Bank has been easing its course cautiously since the beginning of the year. The interest rates on the money market started to decline. Nevertheless the expansion of the money supply did not accelerate. Cash and sight deposits remained at the level reached during summer; the central bank money supply expanded after the turn of the year at a current rate of 4 percent. On the capital market the interest rate declined by barely one half percent because of the increased investment of liquid funds. But what is also likely to have contributed to the reduction of interest rates is the fact that on the foreign exchange market the exchange rate expectations changed and the dollar clearly lost in value after its earlier quotation had risen to over DM 2.80.

Strong Drop of Budget Deficit

The fiscal policy primarily continued its effort to reduce the budget deficit to restore confidence in its stability and its capacity to act. Different from preceding years, the consolidation efforts were crowned with visible success. With a DM 45 billion deficit, the 1983 state deficit was DM 10 billion less than in 1982. In the political subdivisions alone the deficit was reduced by DM 17 billion to DM 45 billion. The social insurances ended with a balanced budget after a surplus of DM 7 billion had been achieved in 1982.

To reduce the deficit, expenditures were reduced while taxes and social insurance contributions were raised. As for the expenditures, it counted a lot that the pension increases were postponed and the children's allowance was reduced. In addition, there were savings in personnel expenditures. But public investments, too, were again markedly restricted; real 1983 public investments were 8 percent below their 1982 level.

The increase of the rates of contribution in pension and unemployment insurance and of the VAT rates contributed to the higher receipts. In addition, the "compulsory loan" went into effect.

SPRING ECONOMIC INDICATORS UP; PRODUCTION GROWTH STILL WEAK

West Berlin WOCHENBERICHT DES DEUTSCHEN INSTITUTS FUER WIRTSCHAFTSFORSCHUNG in German 19 Apr 84 pp 181-192

/Text/ Improvement of the FRG economic situation continued during the October 1983-March 1984 period. While the upward trend up to mid-1983 was sustained by the domestic demand, thereafter a strong revival of export was added. The increase in demand and production gained so much momentum that the capacity utilization experienced a noticeable increase. Thus the recovery has led to an upswing.

Decline in employment came to a halt with the economic improvement. The number of unemployed and of workers on reduced hours has declined. The increased number of placements indicates growing readiness for hiring new personnel.

Prices increased only moderately. For some time, prices for goods and services have been increasing for the consumers at an annual rate of about 2 percent. This reflects the continued great elasticity of demand in most branches of the economy and the favorable development of wage costs.

The strong revival of domestic demand in part is attributable to the quite expansionary monetary policy up to mid-1983, in part to the fiscal-policy encouragement of residential construction and industrial investments. Readiness to invest was also favored by the improvement of the picture and expectations of earnings. The strong increase in exports is attributable to the revival in important partner countries as well as to the increased price competitiveness.

Unsteady Expansion of Money Supply

Until the turn of the year 1983/84, the Federal Bank was striving to inhibit the expansion of the money supply which during the early months of 1983 had considerably exceeded the amount appropriate for stabilization and growth. In this connection, the fact that the DM suffered a considerable loss in value as compared to the dollar may also have played a role. After the Federal Bank had raised the lombard rate from 5 percent to 5-1/2 percent, in subsequent months it raised the interest rates step-by-step to 6 percent for retirement account transactions by which it meets the peak demand for central bank money. Moreover it kept tight limits on the margin of available liquidity of the credit institutions. Thereupon interest rates on the money market rose up to 6-1/2 percent.

The unexpectedly pronounced recovery in business contributed to a greater than planned reduction of the deficit. Additional receipts were obtained primarily from the corporation tax and the taxes on turnover. On the expenditure side, especially the grants to the unemployment insurance were far less than the appropriations.

Readiness to Invest Clearly Strengthened

Since the end of 1982, the domestic demand trend for capital goods has been on the upswing. The course of the development was first shaped by the favorable effects of the capital grant; the lively placement of orders since the fall of 1983 signals the strengthening of the readiness to invest.

Investment activity has considerably accelerated during the October 1983 to March 1984 period. Towards the end of the year it increased with extraordinary strength because the payment date controlling the use of the investment grant expired. After the turn of the year, investment activity remained at a high level. In addition to motor vehicles and office and data-processing equipment, now also more machines and electrical engineering equipment were purchased. The upward trend also improved in commercial and industrial buildings.

High Readiness to Spend on the Part of Private Households

The progressive economic recovery and--connected therewith--the again somewhat more favorable labor market situation contributed to strengthening of the consumer readiness to buy. The favorable terms for consumer credits have supported this readiness. A growing share of the disposable income was spent by private households for the acquisition of privately owned residences and condominiums.

The development of private household incomes was characterized by contrary developments: The state consolidation policy with the reduced increase in transfer payments and the increased tax load had a retarding effect. The increase in total work done had a favorable impact. The number of employed no longer decreased, the number of persons on reduced hours declined, and the number of overtime hours increased. Overall there has been some acceleration of the increase in disposable income. In terms of real income it was even greater because the price rise eased off.

Outstanding Increase in Exports

Different from other recovery periods, this time export at first contributed very little to the revival. Not the least reason for that was the continuing economic weakness in important consumer countries. Thus exports to Italy, France, and to the OPEC countries declined far into 1983. Only after the economy started to recover and the demand for imports became stronger in the countries that earlier had passed the trough of the downward cycle, a strong, yes sudden, increase of the exports occurred. Of course to that must be added that because of the loss in the exchange rate of the DM and because of the low FRG price increases compared to the international level, the price competitiveness of German producers increased. This applies especially in relation to the suppliers from the dollar area.

The revival of exports did not favor the individual branches equally and to the same extent. While the clear increase of the exports of primary products and producer goods had already started in early 1983, the export of capital goods did not start to rise until mid-1983 and then at first only with restraint.

Accelerated Expansion of Production

Especially owing to the stimulus coming from export, the rate of recovery has become more pronounced during the October 1983 to March 1984 period. In some branches of the economy the strong production increase may also be attributable to the fact that as a precautionary measure inventories had been stockpiled to avoid bottlenecks in case of industrial disputes.

As is usual in recovery phases, the upward trend in the processing industry was especially pronounced; in the second half of 1983, the building industry had caught up.

With the increase of the gross domestic product by approximately 3-1/2 percent over the low point of the recession, the production level from the time before the recession has been surpassed for the first time.

Employment Decline Came to a Halt

The recovery eased the labor market situation. Since the fall of 1983, the number of unemployed--seasonally adjusted--has been declining and the number of those on a reduced workweek was cut in half within one year. The number of job openings reported to the labor offices has increased somewhat. During the first quarter of 1984, the number of job openings was one quarter more than a year before. The fact that the opportunities for unemployed to find a job have improved is also demonstrated by the pronounced increase in the number of job placements.

Since the fall, the number of employed has no longer declined. The fact that the number of registered unemployed has nevertheless been visibly reduced indicates that many had temporarily given up the search for a job and that foreigners increasingly returned to their native countries. It could also have had a masking effect on the unemployment statistics that the measures for advanced training, retraining, and vocational adjustment have been stepped up.

Since priority in the use of the additional funds for job-creating programs was given to older and handicapped unemployed, unemployment in the mentioned groups has hardly increased. The number of unemployed youths under 20 years of age has been clearly reduced. This is attributable to the fact that the economy has hired considerably more apprentices than before.

Moderate Price Increase

Since the fall of 1983, the cost of living of private households has had less of an increase than before. Seasonally adjusted and on an annual basis, consumer prices are increasing by about 2 percent. The fact that at the beginning of 1984 the difference over last year again exceeded 3 percent is merely caused

by the base: At the beginning of 1983 the consumer prices had declined, mainly because of the price reduction of oil products.

The further weakening of the price increase is a late consequence of the anti-inflation policy of the previous years. It is reflected in the relatively low domestic cost increases as well as in low price increases for imports during the past 2 years, which on their part are a consequence of the stabilization policy pursued for a long time also in other industrial countries.

Prospects

The foundation of the upward economic trend has become broader since the revival of the worldwide economic trends has led to a strong expansion of German exports. This has undoubtedly contributed to the economy's readiness to invest even after the expiration of the support by means of the investment grant. The stimulating factors are strong enough to guarantee a continuation of the rise in the overall economic production. The rise during this year will be greater than the increase in the overall economic production potential, capacity utilization clearly continues to rise. Thus the uptrend continues. It can be described as self-supporting if that is taken to mean an upward trend that continues even after the end of the monetary or fiscal policy stimuli. However, that is not yet tantamount to a lasting strengthening of the--inadequate--growth of the production potential. But that is of vital importance if the employment problems are to be solved. In view of the domestic and foreign economic uncertainties and continuing shortcomings in the general conditions, it continues to be an open question whether this goal will be achieved.

As always, the prognosis is based on a series of assumptions and postulates. The most important ones are:

- International trade will increase greatly. In this process, the debt problems of the developing countries will be alleviated.
- The rate of exchange of the dollar in relation to the DM will decline with fluctuations to a magnitude of DM 2.40 during the year. In the European monetary system, the central rate will not be adjusted until fall. The price competitiveness of the German suppliers overall will decline only slightly.
- Despite the continuing conflict in the Persian Gulf, the oil supply will remain plentiful, the world market prices will barely change; industrial raw materials will become only slightly more expensive.
- In the fiscal policy, the course set in the budget plans and in the accompanying laws to the 1984 federal budget will be maintained.
- The Federal Bank guides the central bank money supply to about the center of the target range. Together with the other determining factors, this makes possible a continuation of the slight reduction of interest rates.
- The negotiations on the reduction of the working hours are dragging on over an extended period of time and are accompanied by industrial disputes;

the overall economic development of production--it is assumed--will not be greatly inhibited as a consequence. Possible agreements on reduction of working hours will not lead to any significant reduction of working hours and to expenses this year. Apart from the public service, wage increases under collective bargaining agreements will have about the same magnitude as those recently agreed upon.

Stimuli to the World Economy

The continued improvement of the worldwide economic trends and the continued high international competitiveness of the German suppliers lead us to the expectation of a great increase in exports. In this connection, changes in the pace of trade with the various regions will occur. On the one hand, the exceedingly great expansion of exports to the United States will lose considerable momentum because the cyclical upswing there is slowing up; the effect on exports of the upward revaluation of the DM in relation to the dollar will not be so quick. On the other hand, the increase of exports to Western Europe with the continuing economic recovery in this area will become greater since the competitive position of German suppliers is likely to improve at first. Moreover, the sales opportunities in the developing countries, including the OPEC countries, will increase since their proceeds from exports are again rising, especially owing to the growing demand of the industrial countries for raw materials. Furthermore, German exports will be stimulated on account of the high share of capital goods in the export assortment because of the increasing investment activity in foreign countries.

Overall 1984 exports of goods in real terms is likely to surpass the 1983 level by nearly 10 percent. However, the extent of the rate of growth heavily depends on the backlog at the beginning of 1984.

Readiness to Invest Clearly Improved

Readiness to invest on the part of the economy, measured by the development of domestic orders for capital goods, has further increased also after expiration of the deadline for taking advantage of the investment grant. The improvement of important determining factors of the readiness to invest provides reason to believe that the strengthening process will continue:

--With the growing recovery of demand, now also in foreign countries, the assessment of the sales prospects has become noticeably more optimistic.

--After profits had markedly increased already in 1983, though starting from a very depressed level, the earnings prospects continue to improve. This year, neither the prices of imported primary products nor the wage costs per product unit will significantly rise. Even if, as expected, the price increase will remain low, the earnings will clearly continue to increase.

--The tax relief of the enterprises undoubtedly contributes to the strengthening of the expectations for earnings and thus to the readiness to invest.

--The expectation of growing return on net worth on the one hand and slightly declining interest rates on the other hand favor investments in material assets as against financial investments.

These factors favorable to a continuing strengthening of the readiness to invest are, however confronted with a series of risks:

--The demand for reduction in working hours with full compensatory wage adjustment should be mentioned as an important and acute risk. Settlements connected with high burdens would considerably impair the earnings expectations and thus the readiness to invest in the medium term.

--Added to that is the worry that the opportunity is being used only inadequately to contribute to the basic improvement of the conditions for growth by a suitable arrangement of the tax reform.

--Furthermore, the danger looms that the leeway for a growth-oriented fiscal policy is being narrowed by additional EC demands and by the granting of new subsidies.

Unless these risks can be averted, the chances for the necessary strengthening of the potential growth is slight. However, for 1984 a further definite increase of investments for plant and machinery is to be expected; it should be about 6 percent.

Growing Construction Activity Owing to Large Orders on Hand

Development of building output this year will be strongly determined by catching up on increased orders on hand. Construction activity is likely to experience a strong increase even though demand for building work has stagnated since mid-1983. In commercial and industrial construction production will increase considerably, for one thing because the buildings favored by the investment grant must be completed by the end of the year and on the other hand because the incoming orders following the disappearance of the time distortions caused by the investment grants will again increase for the same reasons as in the case of the investments for plant and machinery.

In residential construction, the demand has already slightly declined. An increase is not to be expected, particularly because the demand no longer grows to the same extent as heretofore. However, on account of the great number of orders on hand a definite increase in investments for residential construction is to be expected in 1984. In public construction, demand and production are being expanded only slightly because the state sees merely little leeway.

Consumption Continues to Rise

Private consumption will continue to rise this year. While the 1983 increase to a considerable extent was at the expense of savings, now it will be primarily supported by the expansion of the incomes. The gross wage and salary sum rises greatly because employment again gradually increases after the decline in 1983. Similar observations also apply to net incomes even though the tax burden again

becomes greater especially on account of the expanded inclusion of special payments for social insurance contributions, on account of the progressive scale of the tax rate and on account of the cutting in half of the tax-free allowance for vocational training. With the improvement of the profit situation, the drawings of self-employed persons are also likely to get bigger. The increase of the state income tax transfers, however, will again slow down because of economy measures and the decline in unemployment. Overall the disposable income of private households will rise 4 percent more than in 1983.

Key Features of the Prognosis for the FRG

	Absolute Werte (1)			Veränderung gegen Vorjahr in vH (2)		
	1982	1983	1984 ^{a)}	1982	1983	1984 ^{a)}
Bruttosozialprodukt, real ^{b)} (Mrd. DM) (3)	1 247,5	1 263,2	1 304	- 1,1	1,3	3
Beschäftigte Arbeitnehmer (Tsd. Personen) (4)	22 395	21 960	22 025	- 2,0	- 1,9	0,5
Arbeitslose (Tsd. Personen) (5)	1 835	2 260	2 150			
Arbeitslosenquote (vH) ^{c)} (6)	7,6	9,3	9			
Verbraucherpreise (7)				5,3	3,0	3
Leistungsbilanzsaldo (Mrd. DM) (8)	+ 8,7	+ 10,1	+ 20			
Finanzierungssaldo Staat (Mrd. DM) (9)	- 55,2	- 45,3	- 25			

Key:

1. Absolute values
2. Change over preceding year in %
3. GNP, actual (in billion DM)
4. Employed persons (in 1,000)
5. Unemployed persons (in 1,000)
6. Unemployment rate (in %)
7. Consumer prices
8. Balance on current account (in billion DM)
9. State financing surplus or deficit (in billion DM)

(Key continued)

- a. Preliminary estimate of the participating institutes; data rounded.
- b. In 1976 prices
- c. In terms of all employees (employed and unemployed persons).

As always, it will be hard to estimate how the private households will apportion the increased income to consumption and savings. There is little probability for a resumption in the rise of the savings rate that had greatly dropped in 1983. The replacement demand accumulated during recent years has probably not yet been met, the increased completion of privately owned residences and apartments stimulates the demand for furniture and fixtures, and new goods increasingly tempt the customer. All this points to a continued high readiness for consumption as well as to the more favorable expectations of the consumers. Added to that, this year, too, a large amount of savings under the Federal bonus system will be available. All in all, a small further reduction in the rate of savings may be expected.

Rapid Reduction of State Deficit

With the fiscal policy decisions of 1984, the course is being continued by a combination of measures to limit new state indebtedness and release forces of growth for relief of the enterprises. To restrict financing deficits, social insurance contributions were increased, personnel costs were cut and social security benefits were reduced. To relieve the enterprises, the general property tax was reduced and write-offs were facilitated. On the other hand, there are additional burdens from social insurance contributions.

Since Laender and municipalities are also continuing the consolidation course, the increase in expenditures by the political subdivisions at 2-1/2 percent again remain definitely below that of the nominal national product. In this process, the expenditure structure, different from previous years, no longer will get any worse; after many years of great decline, expenditures for investments will increase somewhat. Because of the reorganizing measures as well as the reduction in unemployment, a grant by the Federal Government to the Federal Institution for Labor will no longer be necessary. On the contrary, unemployment insurance is likely to achieve a surplus in the magnitude of DM 3 to 5 billion.

Because of the measures to limit expenditures and raise receipts, the pension insurance this year does not have to fall back on the reserves. All social insurance carriers taken together will have a DM 5 to 6 billion surplus.

The receipts from taxes and social insurance contributions will experience a speedy increase together with the market conditions; moreover there are the additional receipts from increases in taxes and levies. If the transfer of the DM 11 billion profits from the Federal Bank is included, the receipts of the state increase almost twice as fast as the expenditures. The financing deficit will be nearly cut in half and will decline to DM 25 billion. The deficit of the political subdivisions alone will decline by DM 15 billion to about DM 30 billion.

Increase in Production Continues

Overall economic production with about 3 percent will increase about as much as in 1983. Despite declining stimuli relating to the stock cycle, the rate in the second half of the year will be only slightly less. Because of the backlog at the beginning of 1984, the increase on an annual average will be somewhat more than 3 percent. Production expansion in the manufacturing industry will continue to be above average. In connection with the decline of the replenishment of stock on the one hand and the strong increase of exports on the other hand, the emphasis of the increase is likely to be shifted from the basic materials sector to the capital goods sector. On an annual average, the production in the processing industry--as well as in the construction industry--will be about 5 percent higher than in 1983.

Improvement on the Labor Market

With this development of the overall economic production, the number of employed persons will increase during the course of the year by an order of magnitude of 200,000. Additional measures for creation of jobs will have only a small share in that. During 1984, employment in industry will increase by about 50,000 persons, in the construction industry the increase will be almost as great.

The number of unemployed will decline during 1984; towards the end of the year, the number of unemployed is likely to be about 200,000 less than in 1983. In addition to the growing manpower demand, it will probably again contribute to the reduction that the unemployed will retire to the ranks of the hidden reserves and that more funds will be available for further occupational training and for enterprise vocational adjustment. The available manpower will increase less than heretofore, especially because more foreigners are returning to their native countries.

It is uncertain whether the situation on the vocational training market will improve. The demand for apprenticeships is likely to have the same order of magnitude as in 1983 when it was extraordinarily high. The development of the availability is only difficult to estimate: On the one hand, fewer apprenticeships will become vacant and on the other hand, with the continuing economic revival, the readiness by the enterprises for training will grow.

Higher Surplus of the Balance on Current Account

Imports of goods will continue to experience a strong expansion in the FRG with the upward economic trend. The finished goods imports in connection with the lively investment activity and the increase in private consumption clearly are likely to grow. The rising industrial production demands increasing imports of primary products; however, since the stimuli relating to the stock cycle are likely to play a lesser role than in 1983, a slowdown regarding primary products is to be expected. The price competitiveness of foreign suppliers in the dollar area is likely to improve, but this will not have a quick effect. Overall imports of goods in 1984 will be about 8 percent higher than those in 1983.

The real net exports will increase considerably. The surplus of the balance on current account is likely to reach an order of magnitude of about DM 20 billion.

Price Increase Remains Small

Conditions are favorable for the upward trend of prices to remain moderate during the year. The overall economic unit labor costs will rise only very little and the prices of imported goods on the whole are likely to remain about stable, on account of the development of the exchange rate. The restrained monetary development and the continuing great elasticity of supply also speak against a worsening of the price climate. Finally for foodstuffs largely stable prices can be expected following the latest EC agricultural decisions. All in all, consumer prices will rise only moderately until the end of the year; compared to 1983, their rate of increase is likely to be less than 2.5 percent. On an annual average, the consumer prices will be barely 3 percent higher than in 1983.

Economic Policy Considerations (DIW holds a different opinion on some of the questions discussed here; this opinion is provided at the end of this chapter.)

The FRG economic recovery will continue this year with considerable momentum. Employment will rise, unemployment will continue to decline and the upward trend of prices will remain relatively small. The upswing is the result of the interaction of improvements in the general conditions, temporarily effective measures, and cyclical effects. This also applies to the revival of investments. They continue to increase; however, the question is unanswered whether the trend for improvement has become so strong and lasting that every path of potential growth is being reached that would make possible a definite reduction of unemployment and a further increase in real income. There are obstacles and also new dangers on the road there.

Steps were taken on the road to an improvement of the conditions for growth and employment in economic, fiscal, and social policy, for example by thinning out of social insurance benefits, by limiting the state personnel expenditures, and by easing the taxes of the enterprises. But at the same time there were steps in the wrong direction. Thus taxes and social insurance contributions were raised. The fact that the reduction of the state deficit to a considerable part was achieved in this manner, makes the achieved consolidation appear in a less favorable light than it is frequently seen.

The trends in the discussion on EC agricultural, industrial, and technology policy as well as on housing policy, the hesitancy to reduce subsidies and the emphasis on the redistribution aspect in the planned tax reform point to a lack of insight into the necessity or the lacking determination to reduce the influence of the state and to foster performance, personal responsibility and readiness to take risks.

If in the heralded reform of the income tax rates the course were to be set in the direction of promoting growth, the following is to be taken into consideration:

- Reduction of the maximum burden must be in the center of easing the burden, so that additional effort pays. This can also be achieved by extending the zone of progression with unchanged or even lower top tax rate. Because of the limited leeway and the special importance of the performance incentives for the middle-income range, the corrections should, however, be restricted to the present zones of progression. This goal would best be met if the increase of the maximum burden would be steady from the lowest basic rate to the top tax rate. Even such a tax scale would lead to considerable losses of receipts. Nevertheless an attempt should be made to come as close to it as possible.
- The reform should be carried out as soon as possible to make it easier for the economy to move toward a steeper growth rate. Postponing it involves the danger that new greed will be aroused. From the present view it cannot be assumed that in case of an early easing of the tax burden the demand effects would be economically undesirable.

All this indicates that the family component must have neither great weight nor must it be given priority timewise. Nor should other taxes be raised to finance the reform. For one thing, it is by no means certain that the increase of indirect taxes can be passed on, on the other hand, an increase of indirect taxes, too, promotes switching to the underground economy. Instead state tasks and expenditures must continue to be thinned out and tax concessions that lead to a faulty allocation of production factors must be cut back.

It will not be possible to reduce the expenditures in the same year to the extent to which the easing of the burden through the tax reform will reduce state income. Thus a temporary increase of the state deficit must be accepted. If the tax reform follows the described principles, then the deficit will be converted into growth-related additional receipts within a reasonable time. With such a policy the just regained confidence in the soundness of the state finances will not be harmed.

This would especially apply if the restriction of subsidies would be resolutely tackled. But contrary to its announcements the Federal Government has not reduced subsidies, but has even increased them. The importance of reducing subsidies for an offensive growth strategy has been explained in detail in the Community report of the fall 1983. There it is stated: Continued state support of certain types of production leads to excess production and inefficient production methods. In that case, success in economic life depends more on the knowledge of the ways to obtain state aid than on the ability to prevail in competition. Moreover, the advantages granted by the state for some producers lead to disadvantages to the others competing with them. Since aid is granted mostly to large enterprises, the existence of small enterprises is frequently endangered. The subsidies must be produced by all participants in the economic process in the form of higher taxes and levies, but also higher interest rates. The catalogue of subsidies that must be reassessed includes promotion of formation of monetary worth, promotion of residential construction, and concessions in the form of certain tax-free allowances in taxation. Corrections in aid for agricultural, coal, steel and shipyard fields are also overdue. In the area in which aid continues to be granted, participation of those favored in the adjustment burdens is indispensable.

Danger on the road to a greater growth of the production potential now threatens especially from the efforts to reduce the working hours. The risk is great that collective wage agreement or legal rules will restrict either directly or indirectly through increase of labor costs the use of those manpower groups that even now are in short supply. This reduces the production possibilities and thus the employment opportunities for those workmen who are not in short supply. Thus a reduction of working hours weakens the otherwise possible rise of employment volume and real income. The negative effects on growth, employment, and income would be even greater if the reduction of the workweek would be connected with a restriction on overtime and early retirement with a limitation on additional earnings.

Such reductions of working hours also touch on international competitiveness. They hamper adaptability of the economy to the changing structure of demand and production and make it more difficult to look after new opportunities which are of vital importance to a foreign-trade-dependent country such as the Federal Republic. If the costs increase as a result of reductions in working hours, equalization by way of devaluing the DM is not impossible but on account of the variety of the factors determining the exchange rate by no means guaranteed. In every case those enterprises and sectors are affected which produce with high labor input and--in case of the preferred retirement--employ relatively many older workers.

Making things more flexible makes more sense than a general reduction of workweek or age limits agreed upon in a labor contract; flexibility permits the contract partners to agree on the working hours and accordingly on income according to their possibilities and preferences. Flexibility must apply to both alternatives, that is to say to a reduction of the working hours with corresponding reduction of income as well as to an increase in working hours with corresponding increase of income. With more flexibility, a greater utilization of the production facilities, for example by shift work, would be possible. This would reduce capital costs and thus improve conditions for growth.

On account of the continued high underemployment, the wage policy at present cannot fully utilize the anyway small scope for redistribution. But it is also necessary to differentiate the wages more according to occupational, sector and regional shortages. The same result would be achieved by a differentiation according to the market by way of the wage drift. Since wages under a collective bargaining agreement have the character of minimum wages, in this case generally lower wage settlements are necessary than in other cases, so that the effective wage level does not rise any more than the productivity available for distribution. Greater differentiation alleviates the frictions in case of a structural change. At any rate, it is inappropriate for an employer in hard-pressed branches to have to agree to wage increases and at the same time ask for state subsidies.

The contribution that monetary policy can make to the establishment of domestic growth-promoting conditions consists in ensuring monetary stability and smooth financing of potential growth; it should confine itself to these two factors.

According to the ideas of the Federal Bank, the central bank money supply is to increase 4 to 6 percent from the fourth quarter of 1983 to the fourth quarter of 1984. This target range meets the requirements. The target range became a few percentage points narrower than in past years. Thus the Federal Bank has reduced its leeway for a discretionary monetary policy. This indicates that more than in the past it wants to see to a steady and target-related expansion of the monetary supply.

With cautious loosening of the monetary policy since the beginning of the year, a small reduction of the interest rates and an increase of the money in circulation are planned for the remainder of the year. Extensive injections of liquidity do not appear to be necessary for an adequate expansion of the money supply. The necessary expansion of liquidity ought to be achieved by open market operations with flexible interest rates and by appropriate adjustment of the lombard rate.

Uncertainty and speculations on the economic-policy course here or in the United States presumably will cause considerable fluctuations of the exchange rates in the near future, too. Industrial disputes may also have this effect. The Federal Bank cannot neutralize the effects on prices and production resulting therefrom by trying to smooth the range of rates by interventions. If it intervenes the domestic money supply becomes unsteady. Similar comment applies to the attempt to cushion international capital movements by interest-policy measures. Capital movements are decisively influenced by the change of growth prospects, freedom of exchange movements and safety in the countries concerned in the assessment of lenders and borrowers of capital.

On questions of tax reform and the economic and fiscal policy aspects to be considered in this respect, the German Institute for Economic Policy, Berlin (DIW) advocates an opinion deviating from that of the other institutes. This also applies to the opinion on the effects of reductions of working hours.

In choosing the time when the reform of wage rates is to be effective, the economic situation should receive special attention; in one phase of a very favorable economic situation there exists the danger that price increases would be stimulated and thus the real growth stimuli which are to be provided with the easing of the tax burden would be weaker than in a period of a quiet or even unfavorable cyclical trend.

A generally varied assessment of the growth effects to be expected from a scheme to aid the families and those resulting from a reduction of the progressive increase in tax scales is not justified. If the growth process is understood to be a result of the combination of favorable supply and demand conditions, then the funds made available to support (low income) families may have considerable growth policy importance. Therefore they need not have to be regarded as reducing the growth effects that would result in case of use for other purposes.

DIW agrees with the other institutes that "financing" the revenue shortfalls that would be connected with easing the tax burden by raising indirect taxes or

other levies is to be rejected. This rejection in principle also applies to the possibility of seeking financing by further reductions of expenditures--motivated fiscally or with the abstract argument by pushing back the state share. However, reduction of subsidies and preferential tax treatment is economically justifiable.

If the government believes that it cannot do without refinancing of the tax shortfalls because otherwise it would take too long until the higher state budget deficits recede, then the easing of the tax burden should be kept at a lower level or to this extent should be postponed to a later year.

In the question of the effects of the reduction of working hours, DIW does not share the worry of the other institutes that the availability of qualified manpower would be permanently reduced. With a view to the gloomy labor market prospects also in the medium term many expect a contribution to the easing of the burden by reduction of the working hours. This assessment is connected with the idea of a step-by-step process extending over several years in which, however, care must be taken that the rules of the wage equalization do not lead to higher costs in the enterprises. If a reduction of working hours is carried out according to these principles, then the answer to the problem of a shortage of manpower with specific qualifications must be different than in a reduction of working hours in one big step: As part of the medium and long-range process there are adequate possibilities for training, advanced training, and higher qualification by which such shortages can be constantly counteracted.

The Most Important Data of the National Accounts

Prognosis for 1984

	1982 ⁽¹⁾	1983 ⁽¹⁾	1984 ⁽¹⁾	1983 ⁽²⁾	1984 ⁽²⁾
	Jahre (1)			1 HJ (2)	2 HJ (2)

1. Entstehung des Sozialprodukts Veränderung in vH gegenüber Vorjahr (3)

Zähler: Erwerbstätigen (4)	- 1.8	- 1.7	0.5	- 2.1	- 1.4	0	0.5
Arbeitszeit (arbeitsmäßig) (6)(5)	- 0.6	- 0.1	0.5	- 0.4	0.2	0.5	0
Arbeitsstage ⁽¹⁾ (6)	0.2	0.0	- 0	0.3	- 0.3	0.5	- 0.5
Arbeitsvolumen (kalendermonatlich) (7)	- 2.2	- 1.8	0.5	- 2.2	- 1.5	0.5	0.5
Produktivität ⁽¹⁾ (8)	1.3	2.7	3	2.2	3.2	3	2.5
Bruttoinlandsprodukt in Preisen von 1976 (9)	- 1.0	0.9	3	0.0	1.7	3.5	3

2. Verwendung des Sozialprodukts in jeweiligen Preisen (10) a) Mrd. DM

Privater Verbrauch (11)	899.4	935.1	978	450.8	484.3	472	506.5
Staatsverbrauch (12)	325.3	333.5	342.5	154.5	179.0	159	183.5
Anlageninvestitionen (13)	329.1	344.4	373.5	155.5	188.9	189	204.5
Ausrüstungen (14)	125.2	135.4	147.5	61.7	73.7	66.5	81
Bauten (15)	203.9	209.0	226.5	93.9	115.1	102.5	123.5
Vorratsveränderung (16)	6.6	18.7	22	8.7	10.0	13.5	8.5
Außenbeitrag (17)	38.4	39.6	54.5	21.3	18.2	24	30.5
Ausfuhr (18)	535.9	538.6	600	263.3	275.4	294.5	305.5
Einfuhr (19)	497.5	499.1	545.5	241.9	257.1	270.5	275
Bruttosozialprodukt (20)	1 598.9	1 671.2	1 771	790.8	880.4	838	933

b) Veränderung in vH gegenüber Vorjahr (21)

Privater Verbrauch (11)	3.0	4.0	4.5	3.7	4.2	4.5	4.5
Staatsverbrauch (12)	2.4	2.5	2.5	1.3	3.5	3	2.5
Anlageninvestitionen (13)	- 2.7	4.6	8.5	2.4	6.5	8.5	8.5
Ausrüstungen (14)	- 2.7	8.1	9	5.7	10.2	7.5	10
Bauten (15)	- 2.7	2.5	8.5	0.4	4.3	9.5	7.5
Ausfuhr (18)	8.1	0.5	11.5	- 0.9	1.8	12	11
Einfuhr (19)	3.1	0.3	9.5	- 3.4	4.0	12	7
Bruttosozialprodukt (20)	3.6	4.5	6	3.8	5.1	6	6

3. Verwendung des Sozialprodukts in Preisen von 1976 (22) a) Mrd. DM

Privater Verbrauch (11)	688.4	695.1	706	338.1	357.0	343	363.5
Staatsverbrauch (12)	248.7	248.2	250	121.9	126.3	122.5	127
Anlageninvestitionen (13)	247.8	255.0	268	118.1	139.0	122.5	146
Ausrüstungen (14)	102.2	108.0	114	49.5	58.6	52	62.5
Bauten (15)	145.7	147.0	154	66.6	80.4	70.5	83.5
Vorratsveränderung (16)	5.1	14.2	18.5	7.0	7.2	12.5	6
Außenbeitrag (17)	57.6	50.7	61	26.0	24.8	30	31
Ausfuhr (18)	420.3	416.4	451.5	204.9	211.5	224	227.5
Einfuhr (19)	362.8	365.6	390	179.0	186.7	194	196.5
Bruttosozialprodukt (20)	1 247.5	1 263.2	1 304	609.0	654.2	630.5	673.5

b) Veränderung in vH gegenüber Vorjahr (21)

Privater Verbrauch (11)	- 2.2	- 1.0	1.5	- 0.4	1.5	1.5	2
Staatsverbrauch (12)	- 1.0	- 0.2	0.5	- 1.2	0.8	0.5	0.5
Anlageninvestitionen (13)	- 5.1	2.9	5	1.3	4.3	5.5	5
Ausrüstungen (14)	- 6.6	5.7	5.5	3.4	7.8	4.5	6.5
Bauten (15)	- 3.9	0.9	5	- 0.2	1.9	6	4
Ausfuhr (18)	3.7	- 0.9	8.5	- 2.4	0.5	9.5	7.5
Einfuhr (19)	0.8	0.8	6.5	- 2.6	4.2	8.5	5
Bruttosozialprodukt (20)	- 1.1	1.3	3	0.4	2.1	3.5	3

4. Preisniveau der Verwendungssätze des Sozialprodukts (1976 = 100) (23) Veränderung in vH gegenüber Vorjahr

Privater Verbrauch (11)	5.3	3.0	3	3.3	2.7	3	2.5
Staatsverbrauch (12)	3.4	2.7	2	2.6	2.7	2.5	2
Anlageninvestitionen (13)	2.5	1.7	3	1.1	2.2	3	3
Ausrüstungen (14)	4.3	2.2	3	2.3	2.2	3	3
Bauten (15)	1.3	1.6	3.5	0.5	2.4	3	3.5
Ausfuhr (18)	4.2	1.5	3	1.6	1.3	2.5	3
Einfuhr (19)	2.3	- 0.5	2.5	- 0.8	- 0.2	3	1.5
Bruttosozialprodukt (20)	4.8	3.2	2.5	3.5	3.0	2.5	3

The Most Important Data of the National Accounts
Prognosis for 1984

Key:

1. Years
2. Half year
3. Formation of the national product; change in % over previous year
4. No. of gainfully employed persons
5. Working hours (per working day)
6. Working days
7. Total work done (per calendar month)
8. Productivity
9. Gross domestic product in 1976 prices
10. Use of national product at respective prices in billion DM
11. Private consumption
12. Consumption by public agencies
13. Investment in fixed assets
14. Equipment
15. Structures
16. Inventory change
17. Net exports
18. Exports
19. Imports
20. GNP
21. Change in % over previous year
22. Use of national product at 1976 prices, in billion DM
23. Price level of the use side of the national product (1976=100)

(Key continued)

- a. According to the Federal Statistical Office (cf, WIRTSCHAFT UND STATISTIK, No. 3, 1984) and own calculations of the working hours and productivity; differences in the sums caused by rounding of the data in billion DM.
- b. Prognoses of the participating institutes; data rounded.
- c. Only half of the change in the number of working days taken into account.
- d. GDP in 1976 prices per gainfully employed person hour.

1982 ^{a)}	1983 ^{a)}	1984 ^{a)}	1983 ^{b)}	1984 ^{b)}	
Jahre (1)			1. Hj. (2)	2. Hj. (2)	1. Hj. (2) 2. Hj.

5. Einkommensentstehung und -verteilung (3)
a) Mrd. DM

Bruttoeinkommen aus unselbständiger Arbeit (4)	900,2	915,3	955,5	431,2	484,1	452,5	503
Bruttolohn- und -gehaltssumme (5)	732,2	742,3	774,5	349,2	393,1	366,5	408
Nettolohn- und -gehaltssumme (6)	506,2	510,0	525,5	242,8	267,2	251,5	274
Bruttoeinkommen aus Unternehmertätigkeit und Vermögen (7)	325,7	382,2	396,5	169,6	192,6	181	215,5
Nettoeinkommen aus Unternehmertätigkeit und Vermögen (8)	264,2	298,4	330	139,7	158,8	149	181
Entnommene Gewinne und Vermögenseinkommen ^{a)} (9)	261,2	272,0	294	132,2	139,8	140	153,5
Nichtentnommene Gewinne (10)	3,0	26,4	36	7,5	18,9	9	27,5
Volkseinkommen (11)	1 225,9	1 277,5	1 352	600,8	676,7	633,5	718,5
Abschreibungen (12)	200,3	210,1	222,5	103,6	106,4	109,5	113
Indirekte Steuern abzüglich Subventionen (13)	172,7	183,7	196	86,4	97,3	94,5	101,5
Brutto sozialprodukt (14)	1 598,9	1 671,2	1 771	790,8	880,4	838	933

b) Veränderung in vH gegenüber Vorjahr (15)

Bruttoeinkommen aus unselbständiger Arbeit (4)	2,1	1,7	4,5	1,1	2,2	5	4
Bruttolohn- und -gehaltssumme (5)	2,1	1,4	4,5	0,8	1,9	5	4
Nettolohn- und -gehaltssumme (6)	0,9	0,4	3	- 0,1	0,8	3,5	2,5
nachrichtlich (16)							
Bruttolohn- und -gehaltssumme je Beschäftigten (17)	4,2	3,4	4	3,1	3,6	5	3
Nettolohn- und -gehaltssumme je Beschäftigten (18)	2,9	2,3	2,5	2,2	2,4	3,5	1,5
Bruttoeinkommen aus Unternehmertätigkeit und Vermögen (7)	6,8	11,2	9,5	12,3	10,2	6,5	12
Nettoeinkommen aus Unternehmertätigkeit und Vermögen (8)	7,2	13,0	10,5	14,7	11,5	7	14
Entnommene Gewinne und Vermögenseinkommen ^{a)} (9)	2,8	4,2	8	1,9	6,4	6	10
Volkseinkommen (11)	3,3	4,2	6	4,0	4,4	5,5	8
Abschreibungen (12)	6,4	4,9	6	4,5	5,2	6	6
Indirekte Steuern abzüglich Subventionen (13)	2,0	6,4	7	2,0	10,6	9,5	4,5
Brutto sozialprodukt (14)	3,6	4,5	6	3,8	5,1	6	6

8. Einkommen und Einkommensverwendung der privaten Haushalte (19)

a) Mrd. DM

Nettolohn- und -gehaltssumme (6)	506,2	510,0	525,5	242,8	267,2	251,5	274
Empfangene laufende Übertragungen ^{a)} (20)	282,8	290,4	296	144,7	145,7	148	148
Entnommene Gewinne und Vermögenseinkommen (9)	295,0	310,9	336	148,6	162,3	161	174,5
Abzüge (21)							
Zinsen auf Konsumentenschulden (22)	19,7	18,3	18	9,3	9,0	9	9
Geleistete laufende Übertragungen ^{a)} (23)	31,9	32,6	34	15,1	17,5	16	18
Verfügbares Einkommen (24)	1 034,5	1 060,4	1 105	511,7	548,7	535,5	569,5
Privater Verbrauch (25)	899,4	935,1	878	450,8	484,3	472	506,5
Ersparnis (26)	135,1	125,3	127	60,9	64,3	64	63,5
Ersparnis in vH des verfügbaren Einkommens (Sparquote) (27)	13,1	11,8	11,5	11,9	11,7	12	11

b) Veränderung in vH gegenüber Vorjahr (15)

Nettolohn- und -gehaltssumme (5)	0,9	0,4	3	- 0,1	0,8	3,5	2,5
Empfangene laufende Übertragungen (20)	5,3	2,7	2	2,7	2,7	2	1,5
Entnommene Gewinne und Vermögenseinkommen (9)	3,0	5,4	8	3,4	7,3	8,5	7,5
Verfügbares Einkommen (24)	2,4	2,5	4	1,7	3,3	4,5	4
Privater Verbrauch (25)	3,0	4,0	4,5	3,7	4,2	4,5	4,5
Ersparnis (26)	- 1,4	- 7,3	1,5	- 11,0	- 3,4	4,5	- 1,5

Key:

1. Years
2. Half year
3. Source and distribution of income, in billion DM
4. Gross income from work as employed persons
5. Sum of gross wages and salaries
6. Sum of net wages and salaries
7. Gross income from entrepreneur activity and assets
8. Net income from entrepreneur activity and assets
9. Withdrawn profits and income from assets
10. Profits not withdrawn
11. National income
12. Depreciation
13. Indirect taxes less subsidies
14. GNP
15. Changes in % over previous year
16. For information
17. Sum of gross wages and salaries per employed person
18. Sum of net wage and salary per employed person
19. Income and use of income of private households, in billion DM
20. Current transfers received
21. Deductions
22. Interest on consumer debts
23. Current transfers made
24. Disposable income

(Key continued)

- 25. Private consumption
- 26. Savings
- 27. Savings in % of disposable income (rate of saving)
 - a. According to the Federal Statistical Office (cf. WIRTSCHAFT UND STATISTIK, No. 3, 1984) and own calculations of the working hours and productivity; differences in the sums caused by rounding of the data in billion DM.
 - b. Prognoses of the participating institutes; data rounded.
 - e. After deducting interest on consumer debts.
 - f. Social insurance payments less wage tax on pensions and the contributions by the state for recipients of social insurance payments.
 - g. Noneligible taxes, voluntary social insurance contributions of the self-employed, housewives, etc. Reimbursements and other current transfers to the state. Net premiums for insurances against damages less payments by insurances for damages, international private transfers.

1982 ¹⁾	1983 ²⁾	1984 ³⁾	1983 ²⁾	1984 ³⁾		
Jahre (1)			1. Hj. (2)	2. Hj. (2)	1. Hj. (2)	2. Hj. (2)

7. Einnahmen und Ausgaben des Staates¹⁾ (3)
a) Mrd. DM

Einnahmen	(4)								
Steuern	(5)		395,3	414,7	442	191,1	223,6	207,5	234,5
Sozialbeiträge	(6)	(7)	294,0	290,0	307	137,7	152,3	146	161
Erwerbsinkünfte	(8)	(9)	29,7	29,8	30	20,4	9,5	17,5	12,5
Sonstige laufende Übertragungen	(10)	(11)	16,4	19,5	20,5	9,3	10,2	9,5	10,5
Empfangene Vermögensübertragungen	(12)	(13)	6,3	6,5	6,5	2,8	3,7	3	4
Einnahmen insgesamt	(14)		731,7	760,8	806	361,3	399,3	383,5	422,5
Ausgaben	(15)	(16)							
Staatsverbrauch	(17)	(18)	325,3	333,5	342,5	154,5	179,0	159	183,5
Zinsen	(19)	(20)	43,9	50,4	54	27,5	22,9	29,5	24,5
Laufende Übertragungen an	(21)	(22)							
Private Haushalte	(23)	(24)	291,7	296,2	303,5	148,2	148,0	152	151
Unternehmen	(25)	(26)	33,0	34,5	36	15,3	19,2	16	20
Ausland	(27)	(28)	24,8	26,4	28	13,3	13,1	14,5	14
Geleistete Vermögensübertragungen	(29)	(30)	31,7	32,6	33,5	14,5	18,1	15,5	18
Nettoinvestitionen	(31)	(32)	36,6	32,4	33	13,2	19,3	13	20
Ausgaben insgesamt	(33)		786,9	806,9	830,5	386,4	419,5	399,5	431
Finanzierungssaldo	(34)		- 55,2	- 45,3	- 24,5	- 25,1	- 20,2	- 16	- 8,5

b) Veränderung in % gegenüber Vorjahr (22)

Einnahmen	(4)	(5)							
Steuern	(6)	(7)	2,3	4,9	6,5	3,1	6,5	8,5	5
Sozialbeiträge	(8)	(9)	5,9	2,1	6	1,0	3,1	6	5,5
Erwerbsinkünfte	(10)	(11)	43,0	0,4	1	1,4	- 1,8	- 13	31
Sonstige laufende Übertragungen	(12)	(13)	3,5	18,6	4	24,8	13,5	3,5	4,5
Empfangene Vermögensübertragungen	(14)	(15)	- 11,2	4,0	2,5	3,7	4,2	3	2
Einnahmen insgesamt	(16)	(17)	4,8	3,9	6	2,7	5,1	6	6
Ausgaben	(18)	(19)							
Staatsverbrauch	(20)	(21)	2,4	2,5	2,5	1,3	3,5	3	2,5
Zinsen	(22)	(23)	24,0	14,8	7	13,2	18,8	8	6,5
Laufende Übertragungen an	(24)	(25)							
Private Haushalte	(26)	(27)	6,3	1,5	2,5	1,5	1,6	2,5	2
Unternehmen	(28)	(29)	1,0	4,5	4,5	11,4	- 0,4	4	5
Ausland	(30)	(31)	4,5	6,5	7	3,7	9,5	8	5,5
Geleistete Vermögensübertragungen	(32)	(33)	0,9	2,9	2,5	13,1	- 4,1	6	- 0,5
Nettoinvestitionen	(34)	(35)	- 13,0	- 11,2	1,5	- 14,7	- 8,8	- 0,5	3,5
Ausgaben insgesamt	(36)	(37)	3,9	2,4	3	2,3	2,5	3,5	2,5

Key:

1. Years
2. Half year
3. Public receipts and disbursements, in billion DM
4. Receipts
5. Taxes
6. Social insurance contributions
7. Receipts from earnings
8. Other current transfers
9. Asset transfers received
10. Receipts, total
11. Expenditures
12. Consumption by public agencies
13. Interest
14. Current transfers to
15. Private households
16. Enterprises
17. Foreign countries
18. Asset transfers made
19. Net investments
20. Expenditures, total
21. Financing balance
22. Change in % of previous year

(key continued)

- a. According to the Federal Statistical Office (cf. WIRTSCHAFT UND STATISTIK, No. 3, 1984) and own calculations of the working hours and productivity; differences in the sums caused by rounding of the data in billion DM.
- b. Prognoses of the participating institutes; data rounded.
- c. Only half of the change in the number of working days taken into account.
- d. GDP in 1976 prices per gainfully employed person hour.
- e. After deducting interest on consumer debts.
- f. Social insurance payments less wage tax on pensions and the contributions by the state for recipients of social insurance payments.
- g. Noneligible taxes, voluntary social insurance contributions of the self-employed, housewives, etc. Reimbursements and other current transfers to the state. Net premiums for insurances against damages less payments by insurances for damages, international private transfers.
- h. Political subdivisions, European Recovery Program, equalization of war burdens fund, and social insurance.

12356

CSO: 3620/281

BUOYANT CHEMICAL INDUSTRY ANTICIPATES RECORD SUCCESSES

Hamburg DER SPIEGEL in German 23 Apr 84 pp 47-53

[Text] The crisis is over: The German chemical industry is doing fine--and expectations are that things will be even better.

Herbert Gruenewald, the chief of the Bayer Company, feels surrounded by nature lovers: "In a world of hostility, no real progress can prosper."

Yet no matter how much the continuing poisoning of the environment results in numerous doubts about the blessings of the chemical industry, when it comes to earning money, the advances of the industry cannot be overlooked. The second largest branch of German industry is doing better than for many years; the chemical industry in the midst of a boom. The three multi-national corporations --BASF, Bayer and Hoechst--are expecting record earnings in 1984.

The producers of pills and plastics, fibers and dyes, artificial fertilizer and adhesives have themselves been surprised about how smoothly things are going uphill again. As recently as two years ago, the chemical firms had to pocket a reduction in earnings of approximately 25 percent, and many of them had to report short-time work. Gruenewald: "1982 was one of the most difficult years for the industry."

The depression did not last long. Already during the past year, Hoechst increased the profits by 35 percent and the industry leader BASF added even 66 percent. Bayer is even in more splendid shape. Worldwide the company was able to more than double its profits--to about DM 2.2 billion.

The upward trend is continuing. During the first quarter of this year, the chemical industry added about 15 percent in sales compared to the first three months of 1983. The plants are running at 80 percent of capacity. During the preceding year the rate was only 70 percent.

The revival in the chemical industry, Heinz-Gerhard Franck, association president, chairman of the board of the coal chemistry enterprise Ruetgerswerke, rejoiced, is presently without example in the German economy.

The people in the chemical industry owe their plus-data both to the increase of private consumption and to the larger orders from German industry. Because of the fact that for months automobile producers as well as construction have been able to take in more orders, there has been a considerable increase in the demand for synthetic materials for automobile bodies, window frames and building insulation.

The export trade was responsible for another strong push. In 1983 the German chemical firms increased their exports by about 10 percent. The highest growth figures were reported by the salesmen from the United States. There the Germans sold over 31 percent more. Because of the high currency exchange rate of the dollar products Made in Germany were an especially good value.

In the EEC states, the chemical industry, in spite of everything, increased its sales by almost 10 percent. The higher money devaluation in the neighboring states, with the currency exchange rate remaining almost stable, proved to be a stimulus to sales. As a result, German products became substantially less expensive to some extent.

The German pharmaceutical line of business with the highest prices for medicine in the world again, to no one's surprise, among the top earners. In spite of the Cost Attenuation Law of 1981, the pill company Boehringer Mannheim, for example, registered such good earnings last year that it was possible to add to the last dividend of 15 percent. The competitor E. Merck in Darmstadt registered profit increases of about 30 percent.

The loss-producing articles of previous years are now the best-selling products. In the plastics industry, a few years ago still a problem area with high losses, the companies in the meantime are achieving the highest growth rates.

Polyvinyl chloride, polystyrene and polyethylene, for example, the basic substances for spouting or sheeting foils, toys or records, plastic bags or insulation materials, added about one-fifth to their sales.

Even with synthetic fibers money can be made again--thanks to the increase demand for clothes. For over a decade, the producers of chemical fibers, because of enormous excess capacities, had remained deep in the red.

In their problem areas the managers of the chemical industry meanwhile have done an enormous job of tidying up. And it did not turn out to particularly difficult for them.

Trusts like Bayer, Hoechst, and BASF, which in the world rank list of chemical firms can be found among the 10 largest, are able to assimilate recessions more easily than others. With their widely-spread manufacturing program, they are far less susceptible than, for example, companies like VW [Volkswagen], BP [British Petroleum] or Kloeckner-Werke, which make their living mainly from one product type.

Pharmaceuticals and pesticides, always reliable sources for high profits, helped the chemical firms to weather the crisis years. Well-cushioned with

abundant reserves from former times, the boards of directors were in a position to rebuild their companies without haste and get rid of unnecessary costs. Plants which did not have any prospects of making profits were closed down with much ado.

Bayer put an end to the manufacture of perlon in Dormagen, disassociated itself from the fiber plants in Huels, and closed down the Munich camera factory of the subsidiary Agfa. Hoechst gave up a textile plant in Berlin and a cellulose plant in Wiesbaden. BASF got rid of ballast in synthetic fibers and closed a plant in Cologne.

Other factories were modernized and at the same time reduced in size. Most of the thinning out took place in the chemical fiber industry. The number of employees decreased by almost 40 percent since the mid-1970's.

At the same time, the companies made use of their considerable financial strength to develop new markets for unrelated products.

The BASF, which already 50 years ago manufactured the first magnetic tape, today sells products valued at over DM 1.5 billion in the field of information technology. In terms of audio and video tapes, the giant of the chemical industry is the market leader in the Federal Republic.

Hoechst and Bayer are betting on gene technology. With large research expenditures, both enterprises want to secure an advantage on the international level. This industry, Bayer-chief Gruenewald believes, will in the near future equal "the microelectronics industry in its significance".

Even further ahead of the time is Franck, president of the chemical industry association. By the end of the 1990's, he predicts, the world will experience an enormous innovation push. Then, after the turn of the year 2000, the chemical industry can count on "an especially powerful upward development."

8975

CSO: 3620/287

POWER NETWORK BELIEVED VULNERABLE TO WIDESPREAD BLACKOUTS

Helsinki HUFVUDSTADSBLADET in Swedish 12 Apr 84 p 17

[Text] There is no guarantee that a power failure like that in Sweden last December when the whole southern part of the country blacked out could not happen in Finland as well, but it is very unlikely. Pentti Pajunen, Lic Eng from Imatran Voima, made this point in a lecture on Wednesday at the annual meeting of the Society of Energy Economics.

The lecture series began with Rolf Otterberg, a civil engineer from Sweden's National Power Administration. He made a report on what happened on 27 December last year when half of Sweden was blacked out for shorter or longer periods of time.

The interruption lasted from a few minutes to more than 6 hours, and the cost of the break-down has been calculated at about 250 million kronor.

He pointed out that one of the reasons for the long delay before some of the areas could be supplied with current was that after a quick stop nuclear power plants cannot start up immediately but must go very slowly because of safety requirements and very extensive controls.

The National Power Administration learned a great deal from the trouble last December, and the Administration has made an effort to pinpoint weak points in the power system and operational routines, and the goal is, Otterberg said, to postpone the next electric power failure as far as possible into the future. The disturbance also taught the Administration that information for the public and the press is important, and this aspect has been noted after the blackout.

Possible in Finland

"A massive blackout like the one in Sweden is also possible but not likely in our country," Lic Engineer Pentti Pajunen says. "In any event it would be a question of many unfortunate occurrences at one time.

"Our power network is so structured that it will continue to function if the largest unit, Olkiluoto, should stop operating or if one of the main transmission lines should cease to function. On the other hand, steps have not been taken against two similar failures at the same time."

Pajunen pointed out that the weak points are the 400 kV transmission line stations and their circuit breakers or a major failure in a transmission line near one of the power plants. In Olkiluoto a double transmission line uses the same poles for a few kilometers, and that is another weak point.

The Helsinki area is very vulnerable as long as the 400 kV transmission lines are not connected with the area.

The transmission lines to Sweden which can be affected by disturbances in the Swedish network are additional weak points.

Pajunen points out that even if precautions are taken a major power failure can occur. Often it is initially a minor flaw, which in combination with fluctuating consumption, mistakes by employees, or a failure in some installation becomes aggravated and leads to a power failure for a large area.

Preparations for a power failure are that the trouble be rectified within half an hour during the working day and within an hour at night.

He pointed out that in contrast to Sweden electricity in our country is generated primarily in small units which provides better protection against massive power failures.

In addition, electricity is not transmitted from the north to the south to the same degree as in Sweden where a large part of the current is produced in the north and consumed in the south.

The most recent large power interruption occurred in our country in 1975. It affected southern Finland and lasted 1 hour.

6893

CSO: 3650/177

BRIEFS

STATISTICS ON IMPORTED ELECTRICITY--The government is proposing that an equalization tax be levied on imported electricity. The tax will be 7.8 percent of the imported price. The increase will occur in connection with the financing of the first supplementary budget of the year. The tax is expected to produce 25 million marks this year. The value of all imported electricity is calculated at 500 million marks per year. Eighty percent of the electricity comes from the Soviet Union, 20 percent from Sweden. The object is to continue to import electricity in the same proportion as it is produced domestically. [Text]
[Helsinki HUFVUDSTADSBLADET in Swedish 14 Apr 84 p 6] 6893

CSO: 3650/177

BASQUE REGIONAL ENERGY BALANCE SHEET FOR 1983

San Sebastian EGIN in Spanish 11 Apr 84 p 10

[Text] During a meeting held yesterday in Bilbao, press media were informed by Basque Government's counselor on industry and energy, Juan Carlos Isasti, of the Basque Country's energy data balance sheet for 1983, data contained in a publication which, in addition to the interim balance sheet and its companion flow chart, provides comparative figures on basic energy consumption in 1982-83 by types of energy and a breakdown of overall consumption by:

1) Types of energy, 2) major consumer areas, and 3) historic territories.

As inferred in this report, at the presentation of which Mr Isasti was joined by the director general of the Basque Energy Institute (EVE), Jose Ignacio Arrieta, and the directors of EVE Group member departments and companies, 1983 was characterized in brief by the following occurrences: a new drop (1.5 percent) in demand for basic energy; a low degree of electrical self-generation which was not enough to supply a third of the demand (the lowest in the last 4 years); a drop in overall consumption; a slight increase in oversall consumption of electricity and an exceptional increase in that of gas in comparison with drops in consumption of coal and petroleum byproducts.

Likewise 1983 was characterized by an increase in transportation and other areas with a decrease in industrial consumption, and territorially by drops in the 3 historic territories, with Guipuzcoa the one least affected.

In this balance sheet on Basque energy data for 1983, it is stressed that the torrential rains suffered until late August had a serious effect on Basque industry by bringing an end to the trend established in the first 8 months of the year. If such a setback had not happened, which so gravely damaged the overall Basque economy, presumably our industrial activity, in comparison with 1982, might have provided a picture of slight recovery and not one of new depression, in their words.

Three Projects for 1984

On the other hand, Isasti and the Basque Energy Institute officials also presented 3 projects to be implemented in 1984 within the framework of energy planning and modernization.

"Basque industry," they said, "for greater energy potential must undertake a process of updating along with minimizing its energy costs within technological changes to be applied on a priority basis."

With this plan EVE intends to launch the initial phase in 1984 of in-depth research which describes in detail how Basque industry uses energy; information which, in terms of current knowledge, does not allow for an exact evaluation of possibilities for fuel substitution and energy conservation or for technologically advanced applications.

In this early phase, they reported, compilation of a report will proceed on energy and in as much depth as possible as to the 200 major Basque consumer industries which represent approximately 90 percent of overall energy used in the totality of Basque industry, each such industry using more than 1,000 basic energy tons in all forms of energy. In 1985 this compilation will be expanded to 200 additional industries so as to acquire detailed knowledge on the 400 companies which jointly represent 95 percent of overall energy used in Basque industry.

Energy Utilization in Residential and Commercial Areas

Although this area represents only about 11 percent of overall energy consumed in the autonomous community, it is of considerable interest in view of its foreseeably higher rate of growth than the other areas within the near future. Even when we take our privileged status into account, our domestic and commercial consumption lies far below that of underdeveloped countries. It is to be hoped that slight increases in our standard of living mean greater increases in the rate of growth in energy consumption in our homes and businesses. Therefore, along with this research a broader compilation on users will be carried out for the purpose of providing guidelines in terms of energy consumption and making use of energy-consumption equipment which is not wasteful so as to avoid uneven growth in the area.

The EURC's conclusions will allow for providing guidance to the consumer by making it possible for him to set up optimum programs designed for efficient use of energy in the areas described.

Along these lines we must also request the collaboration of the press and public in the preparation of research which because of its content may be considered as something new in the country.

Energy Demand Forecast

One of EVE's tasks is to forecast energy demand in the Basque Country autonomous community. For this purpose a planning-modernization team has been formed, one of whose objectives is the development of a simulation model which will describe in detailed fashion the economy-energy binomial in the Basque provinces and the results of fuel substitution and energy conservation in the overall Basque economy. This development process is to be initiated conceptually; however, its activation makes prior acquisition of a collection of data capable of supplying the model essential; it was specifically for that purpose that the EUEI and EURC were established and data processing media set up in EVE for automatic information handling.

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